

Comprehensive Annual Financial Report

NOVI



cityofnovi.org



**For the Fiscal Year ended June 30, 2008
Novi, Michigan**

City of Novi, Michigan

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October 21, 2008

Honorable Mayor David Landry
Members of the City Council
Citizens of the City of Novi, Michigan

CITY COUNCIL

Mayor
David B. Landry

Mayor Pro Tem
Kim Capetto

Bob Gatt

Terry K. Mangolis

Andrew Mutch

Kathy Crawford

Dave Staudt

City Manager
Clay J. Pearson

City Clerk
Maryanne Cornelius

We are pleased to submit the Comprehensive Annual Financial Report of the City of Novi for the fiscal year ended June 30, 2008. This report is prepared for the purpose of disclosing the City's financial condition to its residents, elected officials and other interested parties. The financial statements contain all disclosures necessary to enable the reader to gain an understanding of the City's financial activities. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the financial information is accurate in all material respects and is presented in a manner designed to present fairly the financial position of the City.

The City of Novi has implemented the governmental financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34. In accordance with the new standards, generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

All local units of government within the State of Michigan must comply with the Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended, which requires an annual audit of the financial records and transactions of the City by independent certified public accountants. The primary purpose of the auditing requirements of this act is to maintain the confidence of all interested parties in the integrity of the record keeping and financial reporting of local units of government.

Profile of the Government

The City of Novi, incorporated in 1969, is strategically located in the southwestern portion of vibrant Oakland County. Located just 30 miles northwest of downtown Detroit, the City serves over 52,000 residents and encompasses an area of approximately 32 square miles. Novi is considered a choice community to live and work. A dynamic, growing community, Novi offers an abundance of rolling, wooded acreage, which provides a unique natural backdrop for residential, commercial and industrial land development. Novi is well connected to highway, rail and air transportation routes offering outstanding accessibility.

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The City of Novi operates under the Council-Manager form of government. Policy-making and legislative authority are vested in City Council which is presided over by the Mayor, who is elected for a two-year term. The six other Council members are elected for four-year overlapping terms. The City Manager is appointed by City Council. This official heads the administrative branch of city government and directs all city operations, projects and programs.

The City provides a full range of municipal services including police and fire protection; public works, parks, recreational and forestry activities; building inspection; code enforcement and planning and development. In addition to general government activities, the activities of the Economic Development Corporation are reported as a separate component unit of the City. Component units are legally separate entities for which the primary government is financially accountable.

The City of Novi prepares budgets in accordance with the Uniform Budgeting and Accounting Act, PA 2 of 1968, as amended. Under the direction of the City Manager, the Finance Director prepares an initial projection of revenue for the next fiscal year. Spending priorities are then established based upon the City's financial policies and mandated requirements. Activities of the General Fund and Special Revenue Funds are included in the annual appropriated budget. The level of budgetary control (that is the level at which expenditures cannot exceed the appropriated amount) is established by function and category. It takes a five-vote majority to amend the budget.

Factors Affecting Financial Condition

Local Economy - NOVI, Mich., June 3, 2008 - The City of Novi received positive news for residents and business members in conjunction with the issuance of Novi Public Library bonds. The City's credit rating has been increased by Standard & Poor's and confirmed from Moody's.

Standard & Poor's, which provides credit ratings and other financial analysis, has upgraded the City of Novi's general obligation bonds two increments from AA- to AA+. Standard & Poor's defines an AA+ rating as "having excellent financial security and being highly safe." The improved rating comes following meetings between City officials and credit agencies in May. "The bond rating increase is one objective measure of how the City is managing taxpayer dollars," said Novi Mayor David B. Landry. "It doesn't mean we have extra money to spend, but like a personal credit rating, it says we are making the right choices."

"The upgrade is a testament to the City's low debt, excellent fiscal management, healthy reserves and commitment to long-term planning," explained Clay J. Pearson, City Manager. "We are very fortunate to have a diverse, solid tax base and a strong financial profile."

Moody's Investor Service has also confirmed the City's rating at Aa2, another exceptional rating. This rating places Novi in an elite group of communities throughout the country, as only 15 percent of communities nationwide receive Aa2 status. Moody's defines Aa2 as bonds judged to be of high quality by all standards.

Novi has continued to thrive and remains strong as a result of sustained residential and commercial development experienced over the past ten years. The diverse tax mix of residential, manufacturing, office, service and technology and retail-recreational centers reduces Novi's impact of adverse economic cycles and provides a stable environment for new investment.

Long-term Financial Planning - The dependency on sales tax collections in Michigan as the sole source for the state revenue sharing pool injects a degree of instability within this revenue source during periods of economic downturn. On average state revenue sharing for cities ranges from a low of 5.7 percent of general fund revenues to a high of 45.2 percent with an average of 19 percent. For the fiscal year ended June 30, 2008, Novi's reliance on revenue sharing payments represents 13 percent of total general fund revenues or \$3,613,152. Novi's total revenue sharing payments remained unchanged from the prior fiscal year. There are two ways that local units share in a portion of sales tax revenue. A constitutional portion is distributed to cities, villages and townships based on a community's population. A second portion of sales tax, the statutory portion is earmarked in state law to provide revenue sharing payments that are subject to annual appropriation. It is this portion that is determined by the Governor and State legislature and can be changed at their discretion. Novi's reliance on this statutory portion of revenue sharing is approximately 10 percent of its total annual distribution. The majority of Novi's state revenue payments is constitutional and cannot be eliminated without a vote of the people.

Cash Management Policies and Practices - The City complies with Public Act 20 of 1943 and Public Act 367 (as amended) of the State of Michigan in its cash management activities. Idle cash in all funds is invested in certificates of deposit, governmental obligations, bankers' acceptances, bank pooled accounts and commercial paper. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In the State of Michigan, municipalities are not required to insure all bank deposits; however, the City evaluates each financial institution it deposits City funds with and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. The City has an investment policy in accordance with the above statements.

Risk Management - Effective July 1, 2003 the City terminated its participation in the Michigan Municipal League general liability and property insurance program and is now insured through the Municipal Insurance Alliance. The City of Novi still continues to participate in the Michigan Municipal League Workers' Compensation Fund which is a group self-insured program which provides workers' disability compensation benefits to injured employees of Fund Members. The Fund is comprised of public employers of the State of Michigan which are authorized and approved under Section 611(2) of the Workers' Disability Compensation Act, PA 317 of 1969, as amended, to enter into agreements to pool their liabilities under the Act for the purpose of qualifying as self-insurers. Additional information on the City of Novi's risk management activity can be found in Note 9 of the notes to the financial statements.

Pension and Other Postemployment Benefits - The City participates in the Michigan Municipal Employee's Retirement System (MERS), an agent multiple-employer pension plan that covers all full-time employees of the City. The City's annual required contribution is calculated as a percentage of payroll each year by an independent actuary engaged by MERS. As a matter of policy, the City of Novi fully funds each year's annual required contribution to the pension plan. All Administrative and Teamster employees effective May 1, 2006 and December 1, 2006 respectively are no longer eligible for participation in Novi's defined benefit pension plan. The City will instead contribute 8% of an employee's eligible compensation into a defined contribution plan. Effective July 1, 2007, all eligible Library employees now participate in a defined contribution plan as well. The Library contributes 6% of an employee's eligible compensation into the plan.

The City of Novi also provides retiree health care benefits to qualifying full-time employees upon retirement, in accordance with labor contracts. Currently, 56 retirees are eligible. Expenditures for retiree health care benefits are recognized as the insurance premiums become due for individuals retired before June 30, 1994. For individuals retiring after June 30, 1994, payments for premiums are recorded in the Retiree Health Care Benefits Expendable Trust Fund. Employer contributions are made annually to this fund and charged as expenditures to individual departmental budgets based on a percentage of wages.

All administrative employees hired after May 1, 2006 and Teamster employees hired after December 1, 2006 will be enrolled into a Retiree Health Care Savings Account with a City contribution of \$50 per pay.

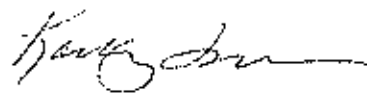
Awards - The Government Finance Officers Association (GFOA) awarded a Certificate of Excellence in Financial Reporting to the City of Novi for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the tenth year that the City of Novi has received this prestigious award.

Acknowledgements - The preparation of this Comprehensive Annual Financial Report was made possible by the efficient and dedicated service of many individuals. We wish to express our sincere appreciation to each of them. Special thanks to the accounting firm of Plante & Moran, PLLC who made substantial contributions by way of interpretation of recent guidelines and document review. Appreciation is also expressed to the Mayor and City Council members and Clay Pearson, City Manager, for their leadership and support in matters pertaining to the financial affairs of the City.

Respectfully submitted,



Marina Neumaier
Assistant Finance Director



Kathy A. Smith-Roy
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Novi
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

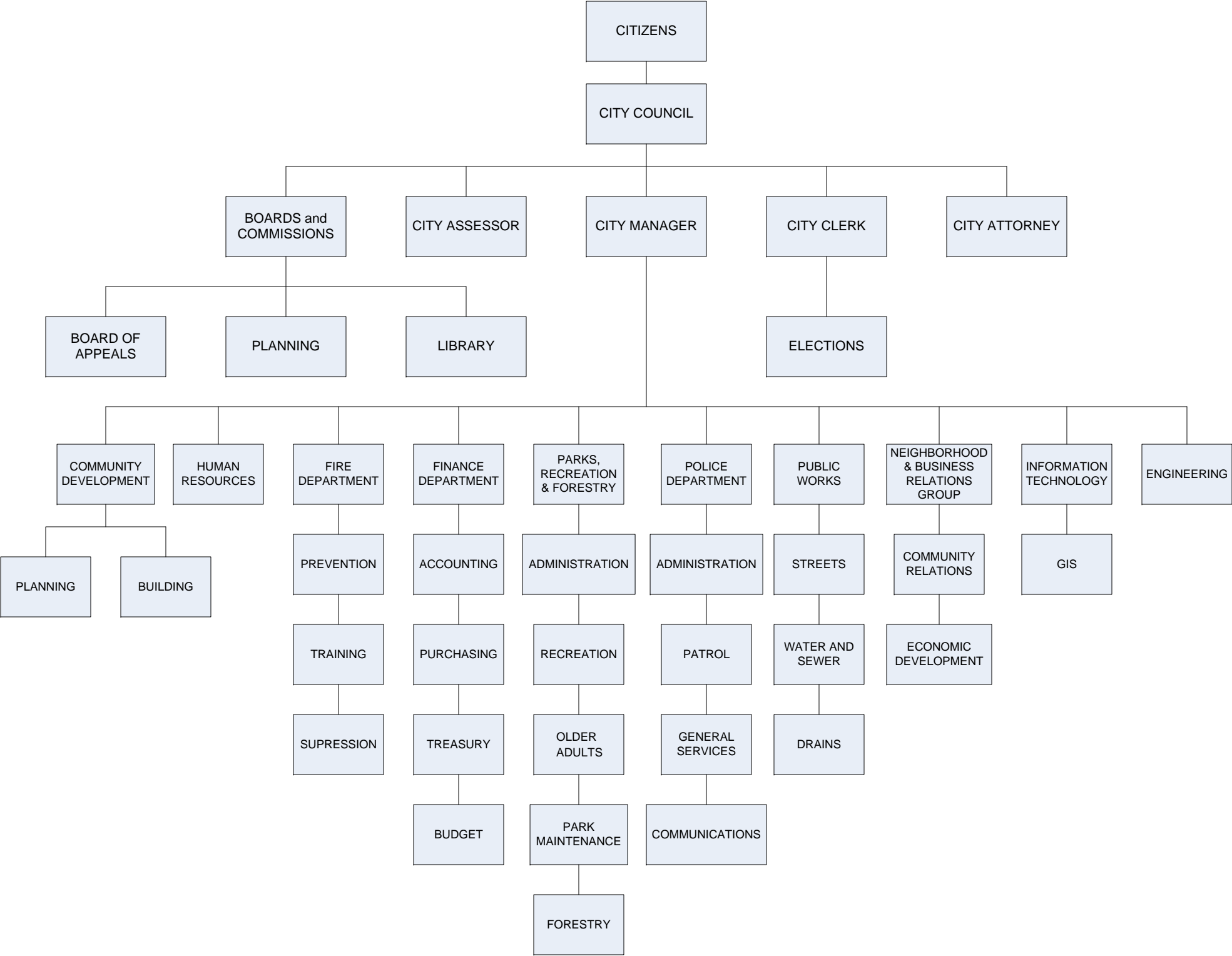


Oliver S. Cox

President

Jeffrey R. Enos

Executive Director



City of Novi, Michigan

List of Principal Officials June 30, 2008

<u>Title</u>	<u>Name</u>
City Manager	Clay J. Pearson
Assistant City Manager	Pamela W. Antil
Assessor	David G. Lemmon
City Clerk	Maryanne Cornelius
Deputy City Clerk	Debra A. Blashfield
Director of Human Resources	Tia M. Gronlund-Fox
Community Relations Manager	Sheryl L. Walsh
Director of Public Works	William A. McCusker
Roads and Drains Manager	Timothy Wright
Water and Sewer Manager	Timothy J. Sikma
City Engineer	Robert F. Hayes
Chief Information Officer	Robert L. Petty
GIS Manager	Christopher Blough
Economic Development Manager	Ara Topouzian
Community Development Director	Steve Rumple
Building Official	Charles Boulard
Fire Chief	Frank Smith
Deputy Fire Chief	Jeffery R. Johnson
Parks, Recreation, and Forestry Director	Randall A. Auler
Superintendent of Recreation Services	Nancy Cowan
Superintendent of Parks	Matthew Wiktorowski
Senior Services Manager	Rachel A. Zagaroli
Police Chief	David E. Molloy
Deputy Police Chief	Thomas C. Lindberg
Analyst Planner	Patricia Cauchi
Library Director	Julie Farkas
Neighborhood and Small Business Manager	Cynthia M. Uglow
Community Development Deputy Director	Barbara E. McBeth
Purchasing Manager	Sue Morianti
Assistant Finance Director	Marina Neumaier
Assistant City Treasurer	Beverly A. Valente
Senior Financial Manager	Suzanne Moreno
Budget/Management Analyst	Becky C. Arold
Finance Director/Treasurer	Kathy A. Smith-Roy

City of Novi, Michigan

Fund Organization Chart

Governmental Funds

<u>General Fund</u>	
<u>Debt Service Funds</u>	<u>Special Revenue Funds</u>
Special Assessments	Major Street
2000 Voted Street	Local Street
2000 Limited Tax Debt Fund	Municipal Street
2002 Michigan Transportation Fund Refunding Debt	Police and Fire
1999 Police Debt Fund	Parks, Recreation, and Forestry
2003 Refunding Debt Fund	Tree Fund
2002 Street and Refunding Debt	Drain Revenue
2008 Library Construction Debt Fund	Drain Perpetual Maintenance
1993 Refunding Debt Fund	Special Assessment Revolving
	Judgment Trust
<u>Capital Projects</u>	Contributions and Donations
2000 Voted Street Construction	Federal Forfeiture Fund
1999 Police Building Construction	Library
2008 Library Construction	Walker Building

Proprietary Fund - Enterprise Funds

Ice Arena
Water and Sewer
Senior Housing

Fiduciary Funds

<u>Pension and Other Employee Benefit</u>	
<u>Trust Fund</u>	<u>Agency</u>
Retiree Health Care Benefits	Agency

Component Unit

Economic Development Corporation



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Independent Auditor's Report

To the City Council
City of Novi, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Novi (the "City") as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Novi's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Novi as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis (identified in the table of contents) is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the City Council
City of Novi, Michigan

The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not required parts of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Novi's basic financial statements. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory section and statistical tables, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2008 on our consideration of the City of Novi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

October 21, 2008

City of Novi, Michigan

Management's Discussion and Analysis

The City of Novi's (the "City") discussion and analysis is a narrative overview of the City's financial activities for the fiscal year ended June 30, 2008. The information presented here should be read in conjunction with our letter of transmittal, and the financial statements and notes to the financial statements that follow.

Financial Highlights

- Total assets related to the City's governmental activities exceeded liabilities at June 30, 2008 by \$141,188,361.
- Investment in capital assets (net of depreciation and related debt) accounts for over half of this amount, with a value of \$84,846,486.
- Of the remaining net assets, \$12,277,054 may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- Net assets related to the City's governmental activities increased by \$7,397,734, or 5.5 percent during fiscal year 2007-2008. As of June 30, 2008, the City of Novi's governmental funds reported combined ending fund balances of \$62,598,911. Fund balance of the General Fund totaled \$12,413,039 at June 30, 2008, of which \$172,263 was reserved for construction code fees and \$3,374,241 was designated for future expenditures, leaving \$8,866,535 unreserved and undesignated. Unreserved fund balance represents the amount of financial resources available for future spending or appropriation.
- Total direct debt at June 30, 2008 was \$81,392,982.

Overview of the Financial Statements

This discussion and analysis provides an introduction and overview to Novi's basic financial statements. This information will assist users in interpreting the basic statements. We will also provide other financial discussion and analysis of certain plans, projects, and trends necessary for understanding the full context of the financial condition of the City.

Basic Financial Statements - The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and, (3) notes to the financial statements. The financial section of this report also contains required supplemental information, in addition to the basic financial statements.

Government-wide Financial Statements - Government-wide financial statements provide readers with a broad overview of the City of Novi's finances in a manner similar to a private sector business, distinguishing functions of Novi that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities").

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

The statement of net assets presents information on all of Novi's assets and liabilities, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business and presents a longer-term view of the City's finances. Over time, increases or decreases in net assets can serve as one indicator of the financial position of the City. Other indicators include the condition of the City's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the City.

The statement of activities presents information showing how the City's net assets changed during the year. This statement separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program). This shows the extent each program relies on taxes for funding. All changes in net assets are reported using the accrual basis of accounting, which requires that revenues are reported when they are earned and expenses are reported when incurred. Items such as deferred special assessments and earned but unused employee leave time will be included in the statement of activities as revenue and expense, even though the cash flows associated with these items will be recognized in future fiscal periods.

In accordance with GASB No. 14, *The Financial Reporting Entity*, the City has identified certain entities as component units in the government-wide financial statements. By virtue of its authority to exercise influence over their operations, the City has included the financial statements of the Economic Development Corporation, which is a discretely presented component unit within the government-wide financial statements. In addition, the Building Authority is included as a blended component unit.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Novi, like other state and local governments, establishes funds for compliance with finance-related legal requirements. All of the funds of the City of Novi fall into three categories: governmental funds, proprietary funds, and fiduciary funds. Governmental funds account for most, if not all, of a government's tax-supported functions. Proprietary funds account for a government's business-type activities where all or part of the costs of activities are supported by fees and charges that are paid by those who benefit from the activities. Fiduciary funds account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

Governmental Funds - The City of Novi maintains 27 individual governmental funds. The governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances present separate columns of financial data for the General Fund, Municipal Streets Fund, and the 2008 Library Construction Fund. These funds are considered major funds as of June 30, 2008. The remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements located in the other supplemental information section of this report.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the measurement focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. The government-wide statements give readers a better understanding of the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the governmental activities column in the government-wide statements, facilitating this comparison.

The City of Novi adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and Municipal Street Fund within the required supplemental information. Budgetary comparisons for other nonmajor Special Revenue Funds are presented within the other supplemental section of the report.

Proprietary Funds - Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, ice arena, and senior housing activities. Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the propriety fund statement of net assets to the business-type column on the government-wide statement of net assets, the total net assets agree, and therefore need no reconciliation.

The proprietary fund financial statements provide separate information for the Water and Sewer Fund, Ice Arena Fund, and the Senior Housing Fund.

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Novi's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements.

Other Information - In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning budgetary comparisons of the General and Municipal Streets Funds. The combining statements in connection with nonmajor governmental funds are presented immediately following the required supplemental information.

Government-wide Financial Analysis

Statement of Net Assets - As noted earlier, changes in net assets may serve as a useful indicator of a government's financial position. The City of Novi's assets exceeded total liabilities by \$311,512,444 at the close of June 30, 2008. The following table shows, in a condensed format, the net assets as of June 30, 2008 and 2007.

Table I

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current assets	\$ 56,693,780	\$ 60,472,057	\$ 43,591,954	\$ 43,252,288	\$ 100,285,734	\$ 103,724,345
Noncurrent assets:						
Restricted assets	23,653,505	7,698,052	8,953,056	9,239,969	32,606,561	16,938,021
Capital assets	129,269,802	125,712,483	144,359,553	144,652,910	273,629,355	270,365,393
Total assets	209,617,087	193,882,592	196,904,563	197,145,167	406,521,650	391,027,759
Current liabilities	14,323,206	13,028,653	6,027,498	6,918,720	20,350,704	19,947,373
Long-term liabilities	54,105,520	47,063,312	20,552,982	21,596,308	74,658,502	68,659,620
Total liabilities	68,428,726	60,091,965	26,580,480	28,515,028	95,009,206	88,606,993
Net assets:						
Invested in capital assets -						
Net of related debt	84,846,486	75,202,275	122,696,571	121,256,602	207,543,057	196,458,877
Restricted	44,064,821	48,704,895	9,253,056	9,539,969	53,317,877	58,244,864
Unrestricted	12,277,054	9,883,457	38,374,456	37,833,568	50,651,510	47,717,025
Total net assets	\$ 141,188,361	\$ 133,790,627	\$ 170,324,083	\$ 168,630,139	\$ 311,512,444	\$ 302,420,766

Over 66 percent of the City's net assets reflect its investment in capital, less any related debt used to acquire those assets that are still outstanding. The City's capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending. Restricted net assets represent resources that are subject to external restrictions on how they may be used. Unrestricted net assets related to governmental activities of \$12,277,054 represent the amount that may be used to meet the City's ongoing obligations.

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

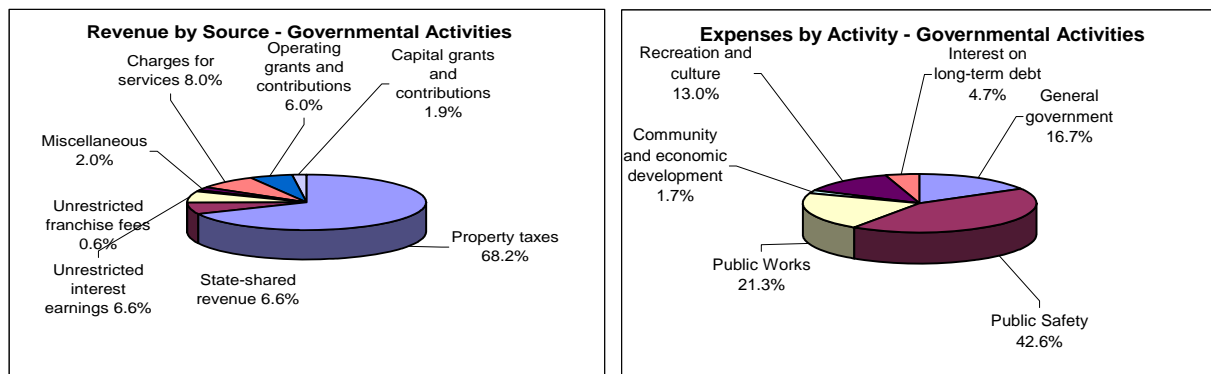
Changes in Net Assets - The City's total net assets increased by \$9,091,678 during fiscal year 2007-2008. Governmental activities increased net assets by \$7,397,734, which represents 81 percent of the total growth in net assets for the City of Novi. The General Fund's unrestricted portion of net assets increased by \$1,663,181. Actual General Fund revenues performed better than projected by \$631,568. Business-type activities increased net assets by \$1,693,944, which represents 19 percent of the total growth in net assets for the City of Novi. The Water and Sewer Fund accounts for the majority of this increase and is attributable to water and sewer lines contributed by developers and system-connection related fees. Key elements of this increase are shown in the following table:

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue:						
Charges for services	\$ 4,325,832	\$ 5,661,201	\$ 19,759,967	\$ 17,892,043	\$ 24,085,799	\$ 23,553,244
Operating grants and contributions	3,271,673	6,462,178	-	-	3,271,673	6,462,178
Capital grants and contributions	1,023,837	1,051,753	3,417,107	4,429,990	4,440,944	5,481,743
General revenue:						
Property taxes	37,030,496	34,954,183	-	-	37,030,496	34,954,183
State-shared revenue	3,613,152	3,613,152	-	-	3,613,152	3,613,152
Unrestricted investment earnings	3,604,198	3,556,170	949,644	2,374,026	4,553,842	5,930,196
Franchise fees	352,197	335,863	-	-	352,197	335,863
Other	1,112,008	855,834	-	-	1,112,008	855,834
Total revenue	54,333,393	56,490,334	24,126,718	24,696,059	78,460,111	81,186,393
Expenses						
General government	7,831,132	7,596,971	-	-	7,831,132	7,596,971
Public safety	20,006,508	18,364,779	-	-	20,006,508	18,364,779
Public works	9,993,071	9,550,895	-	-	9,993,071	9,550,895
Community and economic development	774,299	976,357	-	-	774,299	976,357
Recreation and culture	6,108,935	5,427,777	-	-	6,108,935	5,427,777
Interest on long-term debt	2,221,714	2,461,030	-	-	2,221,714	2,461,030
Water and sewer	-	-	18,816,944	17,283,267	18,816,944	17,283,267
Ice arena	-	-	1,785,941	1,719,682	1,785,941	1,719,682
Senior housing	-	-	1,829,889	1,829,283	1,829,889	1,829,283
Total expenses	46,935,659	44,377,809	22,432,774	20,832,232	69,368,433	65,210,041
Change in Net Assets						
Before Transfers	7,397,734	12,112,525	1,693,944	3,863,827	9,091,678	15,976,352
Transfers	-	(694,000)	-	694,000	-	-
Change in Net Assets	7,397,734	11,418,525	1,693,944	4,557,827	9,091,678	15,976,352
Net Assets - Beginning of year	133,790,627	122,372,102	168,630,139	164,072,312	302,420,766	286,444,414
Net Assets - End of year	<u>\$ 141,188,361</u>	<u>\$ 133,790,627</u>	<u>\$ 170,324,083</u>	<u>\$ 168,630,139</u>	<u>\$ 311,512,444</u>	<u>\$ 302,420,766</u>

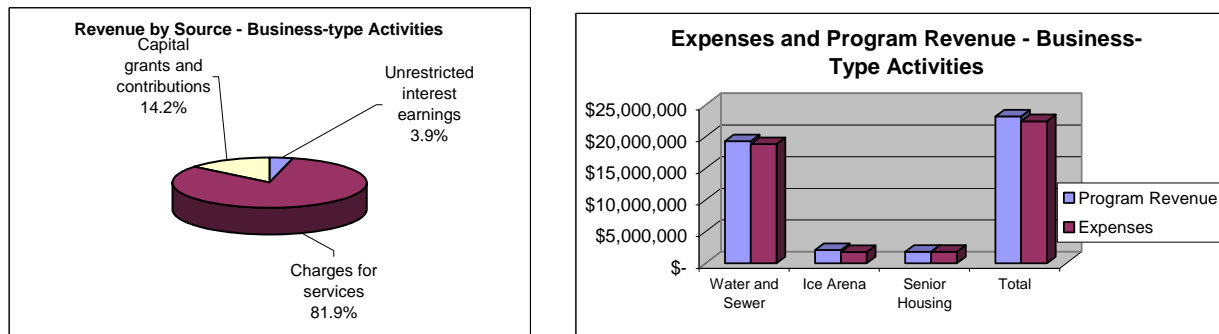
City of Novi, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities - Program revenues, which include user fees and charges and restricted operating and capital grants and contributions, represent 16 percent of total governmental revenue sources. Program revenues reduce the net cost of the governmental functions to be financed from the City's general revenues, which are comprised primarily of property taxes and state revenue sharing.



Business-type Activities - Business-type activities increased the City of Novi's net assets by \$1,693,944. The Water and Sewer Fund accounts for the majority of this increase which includes capital contributions of \$3,270,805. Capital contributions represent water and sewer lines contributed by developers and system-connection related fees (capital contributions are not included within the revenue total as presented in the "expenses and program revenue - business-type activities" graph below).



Financial Analysis of the City's Funds

Governmental Funds - The City has 27 governmental funds, categorized into four fund types. Each fund type has a unique purpose. Three funds are classified as major funds for the purpose of this report, based on criteria set forth by the Governmental Accounting Standards Board. Those funds are the General Fund, the Municipal Streets Fund, and the 2008 Library Construction Fund.

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

As of June 30, 2008, the governmental funds of the City of Novi reported a combined fund balance of \$62,598,911, an increase of \$12,271,569 in comparison with the prior year. The majority of this increase is a result of bond proceeds in the amount of \$16,000,000 to construct the new Novi Public Library.

Proprietary Funds - The City of Novi's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets increased slightly from the prior year by approximately 1.4 percent.

General Fund Budgetary Highlights

The City's budget results for the fiscal year ended June 30, 2008 were even better than anticipated. Due to the favorable results, the City specifically dedicated an additional payment of \$388,000 to the Retiree Health Care Benefits fiduciary fund for the fiscal year ended June 30, 2008. For the fiscal year ended June 30, 2008, there were two significant budget overruns within the General Fund. Other services and charges within the Neighborhood & Business Relations Group exceeded budget by \$21,015. The majority of this amount was due to additional expenditures incurred for the City's web page maintenance due to the addition of eWeb, an employee intraweb site, and the addition of live video streaming of City Council meetings. Personal services within the fire department exceeded budget by \$130,694 and was caused by an unanticipated expenditure in workers' compensation and overtime costs.

Capital Asset and Debt Administration

Capital Assets - The City of Novi's investment in capital assets, including construction in progress, for its governmental and business-type activities as of June 30, 2008 amounts to \$273,629,355 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, infrastructure, and construction in progress.

	Governmental Activities		Business-type Activities		Total Activities	
	2008	2007	2008	2007	2008	2007
Land	\$ 24,431,861	\$ 24,266,876	\$ 2,034,701	\$ 2,034,701	\$ 26,466,562	\$ 26,301,577
Buildings and improvements	16,482,149	15,175,375	17,687,819	18,211,103	34,169,968	33,386,478
Machinery and equipment and library books	6,224,095	5,107,035	537,391	553,830	6,761,486	5,660,865
Infrastructure	82,131,697	81,163,197	116,358,623	117,762,447	198,490,320	198,925,644
Construction in progress	-	-	7,741,019	6,090,829	7,741,019	6,090,829
Total	<u>\$ 129,269,802</u>	<u>\$ 125,712,483</u>	<u>\$ 144,359,553</u>	<u>\$ 144,652,910</u>	<u>\$ 273,629,355</u>	<u>\$ 270,365,393</u>

Additional information on the City of Novi's capital assets can be found in Note 5 of this report.

City of Novi, Michigan

Management's Discussion and Analysis (Continued)

Long-term Debt - The following table is a comparison of the summary information for the fiscal years ended June 30, 2008 and 2007:

	Governmental Activities		Business-type Activities		Total Activities	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 47,155,000	\$ 38,950,000	\$ -	\$ -	\$ 47,155,000	\$ 38,950,000
Michigan transportation fund bonds	910,000	1,215,000	-	-	910,000	1,215,000
Special assessment debt with government commitment	11,665,000	13,090,000	1,730,000	1,905,000	13,395,000	14,995,000
County contractual obligations	-	-	85,000	925,000	85,000	925,000
Building authority bonds	-	-	19,847,982	20,566,308	19,847,982	20,566,308
Total	<u>\$ 59,730,000</u>	<u>\$ 53,255,000</u>	<u>\$ 21,662,982</u>	<u>\$ 23,396,308</u>	<u>\$ 81,392,982</u>	<u>\$ 76,651,308</u>

In November 2007, Novi voters approved \$16,000,000 in bonds for the construction of a new Novi Public Library. The new library will be located on the Civic Center and Novi High School Community Campus and will include a two-story, 55,000 square-foot facility.

Additional information on the City's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

The budget plan, as approved in the fiscal year 2008-2009 budget, continues to maintain an amount above the minimum of 14 percent of current year's expenditures be set aside for unforeseen emergencies. The estimated revenue for the building department fees has been reduced from prior years, which correlates with the decline in new building permits. The General Fund property tax revenue is estimated at \$17,080,000 for 2008-2009. The state shared revenue estimates for 2008-2009 have been reduced by 5 percent in anticipation of lower sales tax. No new full-time General Fund staffing positions have been added. The estimated transfer to the Parks, Recreation, and Forestry Fund for 2008-2009 is \$1,093,232. This amount includes capital and park development projects and reflects a decrease in the transfer necessary to support recreation programs. The Police and Fire Fund transfer covers some public safety and personnel costs and is fixed based on future fire equipment capital needs. The 2008-2009 transfer is \$4,501,000.

The 2008 approved tax millage rate continues to remain at 10.5416 mills. Unreserved fund balance in the General Fund is \$12,240,776; of this amount, \$3,374,241 has been designated for subsequent year's expenditures.

Requests for Information

This financial report is designed to provide a general overview of the City of Novi's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Finance Department, City of Novi, 45175 W. Ten Mile Road, Novi, MI 48375. You may also visit our website at www.cityofnovi.org or contact the finance department directly at 248-347-0465.

City of Novi, Michigan

Statement of Net Assets June 30, 2008

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 2)	\$ 40,998,939	\$ 38,656,613	\$ 79,655,552	\$ 29,757
Accounts receivable:				
Other governmental units	1,642,431	78,720	1,721,151	-
Water and sewer billings	-	3,556,021	3,556,021	-
Taxes	236,729	-	236,729	-
Special assessments	13,523,938	-	13,523,938	-
Other	291,743	1,185,172	1,476,915	35,000
Prepaid and other assets	-	14,051	14,051	-
Inventory	-	101,377	101,377	-
Restricted assets (Note 4)	23,653,505	8,953,056	32,606,561	-
Capital assets - Net (Note 5):				
Depreciable	104,837,941	134,583,833	239,421,774	-
Nondepreciable	24,431,861	9,775,720	34,207,581	-
Total assets	209,617,087	196,904,563	406,521,650	64,757
Liabilities				
Accounts payable	2,727,030	3,390,673	6,117,703	-
Accrued and other liabilities	1,971,605	404,538	2,376,143	-
Due to other governmental units	-	895,113	895,113	-
Unearned revenue (Note 6)	145,075	-	145,075	-
Receipts refundable	-	128,844	128,844	-
Noncurrent liabilities:				
Bonds payable (Note 7):				
Due within one year	7,075,000	1,110,000	8,185,000	-
Due in more than one year	52,655,000	20,552,982	73,207,982	-
Employee compensated absences (Note 1):				
Due within one year	1,670,730	98,330	1,769,060	-
Due in more than one year	1,450,520	-	1,450,520	-
Claims and judgments due within one year (Note 8)	733,766	-	733,766	-
Total liabilities	68,428,726	26,580,480	95,009,206	-
Net Assets				
Invested in capital assets - Net of related debt	84,846,486	122,696,571	207,543,057	-
Restricted:				
Streets and highways	4,456,750	-	4,456,750	-
Drains	10,643,136	-	10,643,136	-
Debt service	1,417,823	-	1,417,823	-
Special assessments	19,252,964	8,953,056	28,206,020	-
Police and fire	1,741,676	-	1,741,676	-
Federal forfeitures	1,110,418	-	1,110,418	-
Parks, recreation, and forestry	2,046,432	300,000	2,346,432	-
Library	1,687,907	-	1,687,907	-
Donations	1,535,452	-	1,535,452	-
Construction code fees (Note 9)	172,263	-	172,263	-
Unrestricted	12,277,054	38,374,456	50,651,510	64,757
Total net assets	\$ 141,188,361	\$ 170,324,083	\$ 311,512,444	\$ 64,757

City of Novi, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 7,831,132	\$ 109,751	\$ -	\$ -
Public safety	20,006,508	2,688,989	360,420	-
Public works	9,993,071	92,286	2,883,902	868,389
Community and economic development	774,299	222,233	-	-
Recreation and culture	6,108,935	1,212,573	27,351	155,448
Interest on long-term debt	2,221,714	-	-	-
Total governmental activities	46,935,659	4,325,832	3,271,673	1,023,837
Business-type activities:				
Water and sewer	18,816,944	15,842,032	-	3,417,107
Ice arena	1,785,941	2,096,064	-	-
Senior housing	1,829,889	1,821,871	-	-
Total business-type activities	22,432,774	19,759,967	-	3,417,107
Total primary government	<u>\$ 69,368,433</u>	<u>\$ 24,085,799</u>	<u>\$ 3,271,673</u>	<u>\$ 4,440,944</u>
Component unit - Economic Development Corporation	<u>\$ 2,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue (unrestricted)				
Unrestricted interest earnings				
Cable television franchise fees (unrestricted)				
Miscellaneous				
Total general revenue				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component
Governmental	Business-type	Total	Unit -
Activities	Activities		Economic
			Development
			Corporation
\$ (7,721,381)	\$ -	\$ (7,721,381)	\$ -
(16,957,099)	-	(16,957,099)	-
(6,148,494)	-	(6,148,494)	-
(552,066)	-	(552,066)	-
(4,713,563)	-	(4,713,563)	-
(2,221,714)	-	(2,221,714)	-
(38,314,317)	-	(38,314,317)	-
-	442,195	442,195	-
-	310,123	310,123	-
-	(8,018)	(8,018)	-
-	744,300	744,300	-
(38,314,317)	744,300	(37,570,017)	-
-	-	-	(2,450)
37,030,496	-	37,030,496	-
3,613,152	-	3,613,152	-
3,604,198	949,644	4,553,842	1,348
352,197	-	352,197	-
1,112,008	-	1,112,008	-
45,712,051	949,644	46,661,695	1,348
7,397,734	1,693,944	9,091,678	(1,102)
133,790,627	168,630,139	302,420,766	65,859
\$ 141,188,361	\$ 170,324,083	\$ 311,512,444	\$ 64,757

City of Novi, Michigan

Governmental Funds Balance Sheet June 30, 2008

	General Fund	Municipal Street Fund	2008 Library Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and investments (Note 2)	\$ 12,839,197	\$ 1,400,251	\$ -	\$ 26,759,492	\$ 40,998,940
Accounts receivable:					
Other governmental units	1,136,739	-	-	505,192	1,641,931
Taxes	109,065	17,357	-	110,307	236,729
Special assessments	-	12,427,810	-	323,230	12,751,040
Other	256,958	-	-	35,285	292,243
Restricted assets (Note 4)	-	3,631,747	15,585,614	4,436,143	23,653,504
Total assets	<u>\$ 14,341,959</u>	<u>\$ 17,477,165</u>	<u>\$ 15,585,614</u>	<u>\$ 32,169,649</u>	<u>\$ 79,574,387</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 668,365	\$ 190,438	\$ 278,930	\$ 1,589,297	\$ 2,727,030
Accrued and other liabilities	1,260,555	-	-	91,776	1,352,331
Deferred revenue (Note 6)	-	12,427,810	-	468,305	12,896,115
Total liabilities	1,928,920	12,618,248	278,930	2,149,378	16,975,476
Fund Balances					
Reserved for:					
Construction code fees (Note 9)	172,263	-	-	-	172,263
Restricted assets	-	3,631,747	15,306,684	3,005,435	21,943,866
Unreserved, reported in:					
General Fund - Designated (Note 10)	3,374,241	-	-	-	3,374,241
General Fund - Undesignated	8,866,535	-	-	-	8,866,535
Special Revenue Funds - Designated (Note 10)	-	-	-	3,894,877	3,894,877
Special Revenue Funds - Undesignated	-	1,227,170	-	21,702,136	22,929,306
Debt Service Funds - Undesignated	-	-	-	1,417,823	1,417,823
Capital Projects Funds - Undesignated	-	-	-	-	-
Total fund balances	<u>12,413,039</u>	<u>4,858,917</u>	<u>15,306,684</u>	<u>30,020,271</u>	<u>62,598,911</u>
Total liabilities and fund balances	<u>\$ 14,341,959</u>	<u>\$ 17,477,165</u>	<u>\$ 15,585,614</u>	<u>\$ 32,169,649</u>	<u>\$ 79,574,387</u>

City of Novi, Michigan

Governmental Funds Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2008

Total Fund Balances for Governmental Funds	\$ 62,598,911
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	129,269,802
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures (including \$772,898 of accrued interest on special assessments)	13,523,938
Bonds, obligations, and agreements are not due and payable in the current period and are not reported in the funds	(59,730,000)
Compensated absences are not due and payable in the current period and are not reported in the funds	(3,121,250)
Estimated general liability claims are not due and payable in the current period and are not reported in the funds	(733,766)
Interest related to long-term debt is not due and payable in the current period and is not reported in the funds	<u>(619,274)</u>

Net Assets of Governmental Activities	<u>\$ 141,188,361</u>
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City of Novi, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	General Fund	Municipal Street Fund	2008 Library Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Taxes	\$ 17,087,092	\$ 2,686,266	\$ -	\$ 17,257,138	\$ 37,030,496
Licenses, permits, and charges for services	3,100,389	-	-	-	3,100,389
Federal grants	144,727	-	-	125,693	270,420
State sources	3,642,100	-	-	2,919,648	6,561,748
Special assessments collected	-	1,259,550	-	111,976	1,371,526
Fines and forfeitures	364,067	-	-	294,321	658,388
Interest income	1,779,005	1,112,812	3,246	1,565,872	4,460,935
Recreational programs	-	-	-	1,051,844	1,051,844
Gifts and donations	-	-	-	49,346	49,346
Other revenue	839,732	233,384	-	124,227	1,197,343
Total revenue	26,957,112	5,292,012	3,246	23,500,065	55,752,435
Expenditures					
Current services:					
City Council	21,580	-	-	-	21,580
City manager	425,576	-	-	-	425,576
Finance department	876,915	-	-	-	876,915
Information technology	574,817	-	-	-	574,817
Assessing	791,884	-	-	-	791,884
City attorney	463,023	-	-	-	463,023
City clerk	543,327	-	-	-	543,327
Treasury	285,331	-	-	-	285,331
Buildings and grounds	960,778	-	-	-	960,778
Neighborhood and business relations group	578,654	-	-	-	578,654
General administration	1,864,980	-	-	1,500	1,866,480
Police department	11,125,764	-	-	-	11,125,764
Fire department	5,209,761	-	-	-	5,209,761
Community development - Building division	2,495,615	-	-	-	2,495,615
Community development - Planning division	743,118	-	-	-	743,118
Department of public works	998,536	-	-	-	998,536
Engineering division	364,198	-	-	-	364,198
Planning Commission	7,912	-	-	-	7,912
Construction	-	1,542,781	499,333	4,631,142	6,673,256
Street maintenance	-	489,005	-	2,452,909	2,941,914
Drain maintenance	-	-	-	577,476	577,476
Recreational programs	-	-	-	1,921,020	1,921,020
Forestry and park maintenance	-	-	-	1,155,892	1,155,892
Library programs	-	-	-	2,529,724	2,529,724
Other	-	-	197,229	734,088	931,317
Capital outlay	-	-	-	2,684,008	2,684,008
Debt service	-	2,017,677	-	9,715,313	11,732,990
Total expenditures	28,331,769	4,049,463	696,562	26,403,072	59,480,866
Excess of Revenue Over (Under) Expenditures	(1,374,657)	1,242,549	(693,316)	(2,903,007)	(3,728,431)

City of Novi, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Continued) Year Ended June 30, 2008

	General Fund	Municipal Street Fund	2008 Library Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Other Financing Sources (Uses)					
Proceeds from debt	\$ -	\$ -	\$ 16,000,000	\$ -	\$ 16,000,000
Transfers in (Note 3)	5,188,900	-	-	7,088,386	12,277,286
Transfers out (Note 3)	(3,015,981)	(850,000)	-	(8,411,305)	(12,277,286)
Total other financing sources (uses)	2,172,919	(850,000)	16,000,000	(1,322,919)	16,000,000
Net Change in Fund Balances	798,262	392,549	15,306,684	(4,225,926)	12,271,569
Fund Balances - Beginning of year	11,614,777	4,466,368	-	34,246,197	50,327,342
Fund Balances - End of year	<u>\$ 12,413,039</u>	<u>\$ 4,858,917</u>	<u>\$ 15,306,684</u>	<u>\$ 30,020,271</u>	<u>\$ 62,598,911</u>

City of Novi, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds **\$ 12,271,569**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 3,557,320

Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end (1,419,042)

Repayment of bond principal is recorded as an expenditure in the governmental funds, but not in the statement of activities (where these transactions are recorded as a reduction of a liability) 9,525,000

Proceeds from the issuance of debt are recorded as revenues on the governmental funds, but not in the statement of activities (where these transactions are recorded as an increase of a liability) (16,000,000)

Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (696,838)

Decrease in estimated general liability is recorded when paid in the governmental funds 173,449

Interest accrued on long-term debt is an expenditure in the statement of activities, but not in the governmental funds (13,724)

Change in Net Assets of Governmental Activities **\$ 7,397,734**

City of Novi, Michigan

Proprietary Funds Statement of Net Assets June 30, 2008

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
Assets				
Current assets:				
Cash and cash equivalents (Note 2)	\$ 36,615,375	\$ 845,313	\$ 1,195,925	\$ 38,656,613
Accounts receivable:				
Water and sewer billing	3,556,021	-	-	3,556,021
Other	1,039,288	35,386	110,498	1,185,172
Due from other governmental units	78,720	-	-	78,720
Prepaid expense	-	1,179	12,872	14,051
Inventory	96,627	4,750	-	101,377
Total current assets	41,386,031	886,628	1,319,295	43,591,954
Noncurrent assets:				
Restricted assets (Note 4)	8,953,056	-	-	8,953,056
Capital assets (Note 5)	124,426,136	7,057,903	12,875,514	144,359,553
Total noncurrent assets	133,379,192	7,057,903	12,875,514	153,312,609
Total assets	174,765,223	7,944,531	14,194,809	196,904,563
Liabilities				
Current liabilities:				
Accounts payable	3,327,293	46,826	16,554	3,390,673
Accrued and other liabilities	113,532	82,488	306,848	502,868
Due to other governmental units	895,113	-	-	895,113
Receipts refundable	128,844	-	-	128,844
Current portion of long-term liabilities (Note 7)	285,000	305,000	520,000	1,110,000
Total current liabilities	4,749,782	434,314	843,402	6,027,498
Noncurrent liabilities - Long-term debt - Net of deferred amount on refunding	1,530,000	6,220,013	12,802,969	20,552,982
Total liabilities	6,279,782	6,654,327	13,646,371	26,580,480
Net Assets				
Invested in capital assets - Net of related debt	122,611,136	532,890	(447,455)	122,696,571
Restricted for:				
Special assessments	8,953,056	-	-	8,953,056
Replacement reserve	-	-	300,000	300,000
Unrestricted	36,921,249	757,314	695,893	38,374,456
Total net assets	\$ 168,485,441	\$ 1,290,204	\$ 548,438	\$ 170,324,083

City of Novi, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
Operating Revenue				
Water sales	\$ 8,352,435	\$ -	\$ -	\$ 8,352,435
Sewer service charges	6,651,762	-	-	6,651,762
Concession sales	-	127,817	-	127,817
Rentals and other charges for services	-	1,713,575	1,788,041	3,501,616
Penalties	150,640	-	-	150,640
Inspection fees	14,420	-	-	14,420
Installation charges	157,245	-	-	157,245
Miscellaneous revenue	515,530	254,672	33,830	804,032
	<u>15,842,032</u>	<u>2,096,064</u>	<u>1,821,871</u>	<u>19,759,967</u>
Total operating revenue				
Operating Expenses				
Cost of water	6,484,586	-	-	6,484,586
Cost of sewage disposal	6,319,184	-	-	6,319,184
Cost of goods sold	-	68,949	-	68,949
Salaries and fringe benefits	1,104,084	-	-	1,104,084
Contractual services	42,429	540,089	239,867	822,385
Management contract	-	100,589	49,320	149,909
Municipal service charges	354,000	-	-	354,000
Depreciation	3,298,842	268,597	361,052	3,928,491
Repairs and maintenance	528,189	66,201	256,523	850,913
Utilities	12,762	250,630	132,525	395,917
Insurance	24,487	14,291	39,932	78,710
Office supplies	21,794	9,450	11,210	42,454
Advertising	-	9,418	634	10,052
Professional services	100,516	2,423	2,100	105,039
Operating supplies	52,149	46,364	19,436	117,949
Installation expenses	259,413	-	-	259,413
Vehicle expenses	72,759	-	-	72,759
Education and training	6,667	1,575	2,416	10,658
Recreational programs	-	75,934	-	75,934
Miscellaneous expenses	40,359	12,489	9,742	62,590
	<u>18,722,220</u>	<u>1,466,999</u>	<u>1,124,757</u>	<u>21,313,976</u>
Total operating expenses				
Operating Income (Loss)	(2,880,188)	629,065	697,114	(1,554,009)

City of Novi, Michigan

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Assets (Continued)

Year Ended June 30, 2008

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
Nonoperating Income (Expense)				
Interest earned	\$ 994,681	\$ 36,630	\$ 64,635	\$ 1,095,946
Interest expense	(94,724)	(318,942)	(705,132)	(1,118,798)
Total nonoperating income (expense)	899,957	(282,312)	(640,497)	(22,852)
Income (Loss) - Before capital contributions	(1,980,231)	346,753	56,617	(1,576,861)
Capital Contributions				
Donated water and sewer lines	372,057	-	-	372,057
Customer assessments - Tap fees	2,898,748	-	-	2,898,748
Total capital contributions	3,270,805	-	-	3,270,805
Change in Net Assets	1,290,574	346,753	56,617	1,693,944
Net Assets - Beginning of year	167,194,867	943,451	491,821	168,630,139
Net Assets - End of year	<u>\$ 168,485,441</u>	<u>\$ 1,290,204</u>	<u>\$ 548,438</u>	<u>\$ 170,324,083</u>

City of Novi, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Water and Sewer Fund	Ice Arena Fund	Senior Housing Fund	Total Enterprise Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 16,049,178	\$ 1,832,988	\$ 1,770,152	\$ 19,652,318
Payments to suppliers	(13,644,026)	(1,202,118)	(763,278)	(15,609,422)
Payments to employees	(1,104,084)	-	-	(1,104,084)
Payments from other governmental units	(49,320)	-	-	(49,320)
Payments to other governmental units	(871,007)	-	-	(871,007)
Other receipts	515,530	254,672	33,830	804,032
Net cash provided by operating activities	896,271	885,542	1,040,704	2,822,517
Cash Flows from Capital and Related Financing Activities				
Collection of customer assessments (principal and interest)	3,199,738	-	-	3,199,738
Purchase of capital assets	(3,142,001)	(136,910)	-	(3,278,911)
Proceeds from disposal of capital assets	-	72,215	-	72,215
Principal and interest paid on capital debt	(1,102,053)	(633,536)	(1,174,129)	(2,909,718)
Net cash used in capital and related financing activities	(1,044,316)	(698,231)	(1,174,129)	(2,916,676)
Cash Flows from Investing Activities - Interest received on investments	994,681	36,630	64,635	1,095,946
Net Increase (Decrease) in Cash and Cash Equivalents	846,636	223,941	(68,790)	1,001,787
Cash and Cash Equivalents - Beginning of year	41,806,324	621,372	1,264,715	43,692,411
Cash and Cash Equivalents - End of year	\$ 42,652,960	\$ 845,313	\$ 1,195,925	\$ 44,694,198
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 36,615,375	\$ 845,313	\$ 1,195,925	\$ 38,656,613
Restricted investments (Note 4)	6,037,585	-	-	6,037,585
Total cash and cash equivalents	\$ 42,652,960	\$ 845,313	\$ 1,195,925	\$ 44,694,198
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ (2,880,188)	\$ 629,065	\$ 697,114	\$ (1,554,009)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	3,298,842	268,597	361,052	3,928,491
Changes in assets and liabilities:				
Receivables	751,651	(9,666)	(23,689)	718,296
Inventory	(20,559)	-	-	(20,559)
Other assets	-	(1,723)	1,350	(373)
Accounts payable	695,827	(3,331)	578	693,074
Accrued and other liabilities	(28,975)	2,600	4,299	(22,076)
Due to other governmental units	(871,007)	-	-	(871,007)
Due from other governmental units	(49,320)	-	-	(49,320)
Net cash provided by operating activities	\$ 896,271	\$ 885,542	\$ 1,040,704	\$ 2,822,517

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2008, developers constructed water and sewer lines with an estimated value of \$372,057 and donated them to the City.

City of Novi, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2008

	Pension and Other Employee Benefits - Retiree Health Care Benefits	Agency
Assets		
Cash and cash equivalents (Note 2)	\$ 288,736	\$ 12,607,273
U.S. government securities	1,854,131	-
Bank investment pools	3,008,858	-
Mutual funds	3,489,999	-
Corporate bonds	247,998	-
Accounts receivable	-	16,632
Total assets	8,889,722	<u><u>\$ 12,623,905</u></u>
Liabilities		
Due to builders and developers	-	\$ 12,602,067
Due to school and other governmental units	-	21,838
Total liabilities	-	<u><u>\$ 12,623,905</u></u>
Net Assets - Held in trust for pension and other employee benefits	<u><u>\$ 8,889,722</u></u>	

City of Novi, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2008

	Pension and Other Employee Benefits - Retiree Health Care Benefits
	<hr/>
Additions	
Net investment loss	\$ (511,913)
Contributions - Employer	<hr/> 1,733,454
Total additions	1,221,541
Deductions	
Healthcare insurance premiums	310,735
Administration	<hr/> 13,500
Total deductions	<hr/> 324,235
Change in Net Assets	897,306
Net Assets - Beginning of year	<hr/> 7,992,416
Net Assets - End of year	<u><u>\$ 8,889,722</u></u>

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Novi (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Novi:

Reporting Entity

The City is governed by an elected seven-member City Council. As required by accounting principles generally accepted in the United States of America, these financial statements present the City of Novi and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit - The Economic Development Corporation of the City of Novi was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body is selected by the City Council. The City also has the ability to impose its will on the Corporation. The Corporation is reported within the component unit column in the combined financial statements. It is reported in a separate column to emphasize that it is legally separate from the City. A separate financial report for the Economic Development Corporation may be obtained from the finance department located at the City of Novi Civic Center, 45175 W. Ten Mile Road, Novi, MI 48375.

Blended Component Unit - The City of Novi Building Authority is governed by a council that is appointed by the mayor. Although it is legally separate from the City, it is reported as if it were part of the primary government because its sole purpose is to finance the City's ice arena and senior housing projects.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

Note 1 - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue. This also includes unrestricted franchise fees that result from cable television fees, not a program of the City.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to debt service compensated absences, and claims and judgments are recorded only when payment is due.

Note 1 - Summary of Significant Accounting Policies (Continued)

Property taxes, franchise taxes, licenses, state-shared revenue (which is unrestricted), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Municipal Streets Fund - The Municipal Streets Fund is used to enhance the Major and Local Streets Funds. This fund receives its revenue pursuant to a special millage as designated by Charter for street and highway improvement purposes.

Library Construction Fund - The Library Construction Fund is the City's Capital Projects Fund used to account for the construction of the new, two-story, 55,000 square-foot Novi Public Library facility.

The City reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Ice Arena Fund - The Ice Arena Fund accounts for the City's two-sheet arena.

Senior Housing Fund - The Senior Housing Fund accounts for the 175-unit senior housing project, financed using the Building Authority approach.

Additionally, the City reports the following fiduciary fund types:

Retiree Health Care Benefits Fund - The Retiree Health Care Benefits Fund accounts for medical benefits provided to retirees.

Agency Fund - The Agency Fund accounts for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or funds. It primarily holds deposits from builders and developers and tax remittances due to schools and other governmental units.

Note 1 - Summary of Significant Accounting Policies (Continued)

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. General revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services, such as water and sewer distribution and collection, recreational services, and senior housing in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and investments include amounts in demand deposits, time deposits, U.S. governmental securities, interlocal agreements, bank investment pools, and mutual funds. Investments are reported at fair value, based on quoted market prices.

Cash Equivalents - For the purpose of the statement of cash flows, the proprietary funds consider all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Note 1 - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and personal property tax receivables are shown as net of allowance for uncollectible amounts, if applicable.

Property Tax Revenue - Properties are assessed as of December 31; the related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period from July 1 through August 31 with the final collection date of February 28 before they are added to the county tax rolls. The County Tax Revolving Fund reimburses the City for the real property portion of these taxes and assumes collection responsibilities.

The 2007 taxable valuation of the City totaled approximately \$3.55 billion and is used for the July 1, 2007 tax bills; this resulted in property tax revenue as follows:

Purpose	Mills Levied	Approximate Revenue
City operating millage	4.8287	\$ 16,662,000
Police and fire supplemental millage	1.4282	5,019,000
Parks and recreation operations	0.3857	1,342,000
Library operations	0.7719	2,687,000
Drain maintenance operations	0.5105	1,777,000
Street maintenance operations	0.7719	2,686,000
Debt levies for streets, fire station, and refunding debt	1.8447	6,424,000

Inventories and Prepaid Items - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Note I - Summary of Significant Accounting Policies (Continued)

Restricted Assets - The City has specific assets held at Wayne County and Oakland County for various water and sewer system-related contracts classified as restricted assets on the balance sheet because the City has turned over control of these assets to the counties based on specific contracts with them. The City has also classified as restricted assets those amounts due from special assessment contracts with property owners for water and sewer system and road construction and related debt payments due to the restricted nature of these funds once they are received.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following useful lives:

Roads, sidewalks, bridges and nonmotorized improvements	25 to 30 years
Drains	25 years
Water and sewer distribution systems	50 years
Buildings and building improvements	35 to 50 years
Machinery and equipment	4 to 10 years
Library books	10 years

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end. This liability has typically been charged to operations in the General, Parks, Recreation and Forestry, and Library Funds in prior years.

Note 1 - Summary of Significant Accounting Policies (Continued)

The City's liability for compensated absences at June 30, 2008 consisted of the following:

	Governmental Activities	Business-type Activities	Total
Due within one year	\$ 1,670,730	\$ 98,330	\$ 1,769,060
Due in more than one year	<u>1,450,520</u>	<u>-</u>	<u>1,450,520</u>
Total compensated absences	<u>\$ 3,121,250</u>	<u>\$ 98,330</u>	<u>\$ 3,219,580</u>

Changes in the liability for compensated absences are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities	\$ 2,424,412	\$ 2,430,665	\$ (1,733,827)	\$ 3,121,250
Business-type activities	<u>79,386</u>	<u>85,065</u>	<u>(66,121)</u>	<u>98,330</u>
Total compensated absences	<u>\$ 2,503,798</u>	<u>\$ 2,515,730</u>	<u>\$ (1,799,948)</u>	<u>\$ 3,219,580</u>

Claims and Judgments - The liability for claims and judgments has typically been charged to operations in the Judgment Trust and General Funds in prior years.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 1 - Summary of Significant Accounting Policies (Continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Note 2 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Retiree Health Care Benefits Fund is also authorized by Michigan Public Act 149 of 1999, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt, or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has approved 17 banks for the deposit of its funds according to its investment policy. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, and all other instruments allowed by the State as listed above. The City's deposits and investment policies are in accordance with statutory authority.

Note 2 - Deposits and Investments (Continued)

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk of deposits. At year end, the City had \$60,683,119 of bank deposits (certificates of deposit, checking, savings, and money market accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk of investments. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name:

Type of Investment	Carrying Value	How Held
Government-wide - U.S. government and agency securities	\$ 1,570,000	Counterparty
Retiree Health Care Benefits Fund - U.S. government and agency securities	\$ 1,264,155	Counterparty

Note 2 - Deposits and Investments (Continued)**Interest Rate Risk**

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a maximum 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
Government-wide:		
Commercial paper	\$ 3,688,877	3 months
U.S. government and agency securities:		
T-Notes	4,875,000	2 years
Federal Home Loan Mortgage Corporation	1,400,000	1.5 years
Fannie Mae	2,500,000	3 years
Federal Home Loan Banks	20,570,000	3 years
Retiree Health Care Benefits Fund:		
U.S. government and agency securities:		
T-Notes	744,155	5 years
Federal Home Loan Mortgage Corporation	405,859	3.5 years
Fannie Mae	704,118	16.75 years
Corporate bonds	247,998	4.25 years

Note 2 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Fair Value	Rating	Rating Organization
Government-wide:			
U.S. government agency securities	\$ 24,470,000	AAA	S&P
Bank investment pool:			
Ambassador	7,324,537	AAA	S&P
MBIA	13,069,105	AAA-VI	Fitch
Federated	5,819,110	AAA	S&P
Bank investment pools	380,991		Not rated
Commercial paper	3,668,877	A1	S&P
Retiree Health Care Benefits Fund:			
U.S. government agency securities	1,109,976		Not rated
Bank investment pools	3,008,858		Not rated
Corporate bonds	22,158	AAA	S&P
Corporate bonds	161,547	AA3	S&P
Corporate bonds	34,069	AA2	S&P
Corporate bonds	30,224	A2	S&P

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has more than 5 percent of its investments in the following:

Government-wide - U.S. government agencies - Federal Home Loan Banks	34.51%
Retiree Health Care Benefits Fund - Fannie Mae	8.19%

Note 3 - Interfund Receivables, Payables, and Transfers

The following is a summary of the interfund transfers:

Transfer of property taxes collected by the Police and Fire Fund to the General Fund, where police and fire salaries are reported	\$ 5,188,900
Transfers of resources related to street expenditures (certain funds account for resources that are intended to be spent in other funds):	
Transfer from Major Streets Fund to Local Streets Fund	534,687
Transfer from Major Streets Fund to 2002 Michigan Transportation Refunding Debt Fund	124,918
Transfer from General Fund to Local Streets Fund	1,000,000
Transfer from Municipal Streets Fund to Local Streets Fund	850,000
Transfer of unrestricted General Fund resources to fund the Parks and Recreation programs, including capital improvements	1,332,306
Transfer of unrestricted General Fund resources to the Judgment Trust Fund	425,000
Transfer from General Fund to fund debt service of the 2000 Limited Tax Debt Fund	258,675
Transfer from Forfeiture Fund to fund debt service of the 1999 Police Debt Fund	1,321,581
Transfer from 1999 Police Building Debt Fund to fund debt service of the 1999 Police Debt Fund	1,240,476
Transfer of contributions recorded in the Contributions and Donations Fund to fund the parks and recreation programs	<u>743</u>
Total interfund transfers	<u>\$ 12,277,286</u>

Note 4 - Restricted Assets and Reserves

Governmental Activities

Following is the detail of the governmental activities restricted assets at June 30, 2008:

Special Revenue Funds:	
Cash and investments restricted for special assessments	\$ 6,501,923
Cash and investments restricted for contributions and donations *	<u>1,565,967</u>
Total Special Revenue Funds	<u>\$ 8,067,890</u>
Capital Projects Funds - Cash and investments restricted for capital projects	<u>\$ 15,585,614</u>

* Includes \$1,400,193 restricted for the Walker Building Fund and \$165,774 restricted for the Fuerst Estate gift for older adult facilities.

Business-type Activities

Specific assets of the business-type activities have been restricted by City ordinances, contracts with Oakland County, and special assessment contracts with property owners for water and sewer system construction and related debt payments.

Following is the detail of the business-type activities restricted assets at June 30, 2008:

Water and Sewer Fund - Cash and investments restricted for special assessments	\$ 6,037,585
Special assessments receivable	2,825,185
Net assets held by county:	
North Huron Valley/Rouge Valley	69,856
Huron-Rouge S.D.S., Walled Lake Arm Waste Water Treatment Plant	<u>20,430</u>
Net assets restricted in Water and Sewer Fund	<u>\$ 8,953,056</u>

Note 5 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 24,266,876	\$ 164,985	\$ -	\$ 24,431,861
Capital assets being depreciated:				
Roads	107,511,771	4,910,235	-	112,422,006
Non-motorized pathway improvements	3,468,469	497,499	-	3,965,968
Bridges	1,908,914	-	-	1,908,914
Drains	21,136,776	985,045	-	22,121,821
Buildings and improvements	25,090,224	1,983,620	-	27,073,844
Machinery and equipment	11,112,396	2,070,288	601,890	12,580,794
Library books	4,201,920	403,200	330,570	4,274,550
Subtotal	174,430,470	10,849,887	932,460	184,347,897
Accumulated depreciation:				
Roads	40,125,114	4,359,159	-	44,484,273
Non-motorized pathway improvements	1,274,081	132,230	-	1,406,311
Bridges	414,857	76,357	-	491,214
Drains	11,048,681	856,533	-	11,905,214
Buildings and improvements	9,914,849	676,846	-	10,591,695
Machinery and equipment	8,078,141	1,108,830	601,890	8,585,081
Library books	2,129,140	247,598	330,570	2,046,168
Subtotal	72,984,863	7,457,553	932,460	79,509,956
Net capital assets being depreciated	101,445,607	3,392,334	-	104,837,941
Net capital assets	\$ 125,712,483	\$ 3,557,319	\$ -	\$ 129,269,802

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$ 2,034,701	\$ -	\$ -	\$ 2,034,701
Construction in progress	6,090,829	2,965,940	1,315,750	7,741,019
Subtotal	8,125,530	2,965,940	1,315,750	9,775,720
Capital assets being depreciated:				
Water and sewer distribution systems	158,557,946	1,803,837	-	160,361,783
Buildings and building improvements	23,103,123	61,895	-	23,165,018
Machinery and equipment	1,860,886	161,047	59,766	1,962,167
Subtotal	183,521,955	2,026,779	59,766	185,488,968
Accumulated depreciation:				
Water and sewer distribution systems	40,795,499	3,207,661	-	44,003,160
Buildings and building improvements	4,892,020	585,179	-	5,477,199
Machinery and equipment	1,307,056	135,651	17,931	1,424,776
Subtotal	46,994,575	3,928,491	17,931	50,905,135
Net capital assets being depreciated	136,527,380	(1,901,712)	41,835	134,583,833
Net capital assets	\$ 144,652,910	\$ 1,064,228	\$ 1,357,585	\$ 144,359,553

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 217,749
Public safety	988,130
Public works	5,720,839
Recreation and culture	530,835
Total governmental activities	<u>\$ 7,457,553</u>
Business-type activities:	
Water and sewer	\$ 3,298,842
Ice arena	268,597
Senior housing	361,052
Total business-type activities	<u>\$ 3,928,491</u>

City of Novi, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

Construction Commitments - The City of Novi has active construction projects as of June 30, 2008. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Street construction	\$ 4,195,100	\$ 1,809,687
Sidewalks and pathways	342,060	9,045
Building improvements	1,483,771	95,865
Sewer projects	2,480,091	398,400
Water mains	789,646	185,907
Detention basins	1,862,903	10,713
Lake dredging	1,092,392	56,721
Park improvements	92,935	18,072
Total	<u>\$ 12,338,898</u>	<u>\$ 2,584,410</u>

Note 6 - Receivables

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 12,751,040	\$ -
Recreation fees and other	-	145,075
Total	<u>\$ 12,751,040</u>	<u>\$ 145,075</u>

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:							
General Obligation Bonds:							
1993 Unlimited Tax Refunding Bonds:							
Amount of issue - \$10,230,000							
Maturing through 2009	5.10% - 5.25%	\$740,000 - \$1,350,000	\$ 3,410,000	\$ -	\$ (1,320,000)	\$ 2,090,000	\$ 1,350,000
1999 Unlimited Tax Police Station Bonds:							
Amount of issue - \$3,500,000							
Maturing through 2018	4.20% - 5.10%	\$150,000 - \$300,000	2,650,000	-	(2,650,000)	-	-
2001 Tax Road Bonds:							
Amount of issue - \$10,000,000							
Maturing through 2015	3.90% - 4.50%	\$600,000 - \$1,100,000	7,875,000	-	(600,000)	7,275,000	700,000
2002 Limited Tax Bonds:							
Amount of issue - \$2,000,000							
Maturing through 2012	\$4.00% - 5.00%	\$200,000 - \$275,000	1,350,000	-	(200,000)	1,150,000	200,000
2002 Street and Refunding Bonds:							
Amount of issue - \$24,720,000							
Maturing through 2017	3.00% - 5.25%	\$595,000 - \$3,740,000	18,455,000	-	(2,275,000)	16,180,000	2,320,000
2003 Unlimited Tax Refunding Bonds:							
Amount of issue - \$6,565,000							
Maturing through 2011	2.25% - 3.50%	\$740,000 - \$1,000,000	5,210,000	-	(750,000)	4,460,000	740,000
2002 Michigan Transportation Fund Refunding Bonds:							
Amount of issue - \$2,280,000							
Maturing through 2009	3.00% - 3.50%	\$295,000 - \$315,000	1,215,000	-	(305,000)	910,000	300,000
2008 GO Unlimited Tax Library Bonds:							
Amount of issue - \$16,000,000							
Maturing through 2027	3.50% - 4.50%	\$250,000 - \$1,750,000	-	16,000,000	-	16,000,000	-

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities (Continued)							
Special Assessment Bonds:							
1995 Special Assessment Bonds:							
Amount of issue - \$1,700,000							
Maturing through 2009	6.00% - 6.75%	\$100,000 - \$125,000	\$ 340,000	\$ -	\$ (125,000)	\$ 215,000	\$ 115,000
2000 Special Assessment Limited Tax Bonds:							
Amount of issue - \$18,435,000							
Maturing through 2015	4.75%	\$1,300,000 - \$1,500,000	12,750,000	-	(1,300,000)	11,450,000	1,350,000
Total governmental activities long-term liabilities			\$ 53,255,000	\$ 16,000,000	\$ (9,525,000)	\$ 59,730,000	\$ 7,075,000
Business-type Activities							
County Drain Contract Obligations:							
Oakland County Contract:							
Amount of issue - \$7,200,000							
Maturing through 2008	5.00%	\$750,000	\$ 750,000	\$ -	\$ (750,000)	\$ -	\$ -
Oakland County Contract:							
Amount of issue - \$8,030,000							
Maturing through 2009	5.10% - 5.20%	\$85,000 - \$90,000	175,000	-	(90,000)	85,000	85,000
Special Assessment Bonds:							
2003 Special Assessment Limited Tax Bonds:							
Amount of Issue - \$2,330,000							
Maturing through 2017	2.00% - 4.00%	\$150,000 - \$200,000	1,905,000	-	(175,000)	1,730,000	200,000
Building Authority Bonds:							
2004 Ice Arena Recreation Facility Refunding Bonds:							
Amount of issue - \$7,630,000							
Maturing through 2024	3.00% - 4.65%	\$310,000 - \$560,000	7,260,000 (451,548)	- -	(310,000) 26,562	6,950,000 (424,986)	305,000 -
Less deferred amount on refunding							
1999 Senior Complex Recreation Facility Bond:							
Amount of issue - \$15,300,000							
Maturing through 2016	5.10% - 7.50%	\$400,000 - \$625,000	4,750,000	-	(400,000)	4,350,000	500,000
2005 Senior Complex Recreation Facility Refunding Bonds:							
Amount of Issue - \$9,920,000							
Maturing through 2025	3.25% - 5.00%	\$20,000 - \$1,100,000	9,770,000 (762,144)	- -	(75,000) 40,112	9,695,000 (722,032)	20,000 -
Less deferred amount on refunding							
Total business-type activities long-term liabilities			\$ 23,396,308	\$ -	\$ (1,733,326)	\$ 21,662,982	\$ 1,110,000

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above (governmental) bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 7,075,000	\$ 2,411,800	\$ 9,486,800	\$ 1,110,000	\$ 978,835	\$ 2,088,835
2010	7,325,000	2,197,458	9,522,458	1,100,000	927,690	2,027,690
2011	7,670,000	1,858,025	9,528,025	1,100,000	883,040	1,983,040
2012	6,845,000	1,531,869	8,376,869	1,125,000	835,665	1,960,665
2013	5,215,000	1,263,888	6,478,888	1,200,000	786,190	1,986,190
2014-2018	13,850,000	3,896,131	17,746,131	6,660,000	3,067,150	9,727,150
2019-2023	4,500,000	2,132,500	6,632,500	6,785,000	1,603,240	8,388,240
2024-2028	7,250,000	854,375	8,104,375	3,730,000	233,906	3,963,906
Deferred amount on refundings	-	-	-	(1,147,018)	-	(1,147,018)
Total	<u>\$ 59,730,000</u>	<u>\$ 16,146,046</u>	<u>\$ 75,876,046</u>	<u>\$ 21,662,982</u>	<u>\$ 9,315,716</u>	<u>\$ 30,978,698</u>

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for employee medical benefit claims and is covered by the Municipal Insurance Alliance for property and casualty claims, and for vehicle and contractor equipment physical damage. The City participates in the Michigan Municipal League (MML) risk pool for claims relating to workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The City was a member of the Michigan Municipal Risk Management Authority, which is a self-insurance program for general and auto liability, auto physical damage, and property loss claims through June 30, 1994. From July 1, 1994 through June 30, 2003, the City participated in the Michigan Municipal League (MML) risk pool for claims relating to property loss, torts, errors and omissions, and workers' compensation. Since July 1, 2003, the City has participated in the Municipal Insurance Alliance Program. The Alliance provides property and liability insurance through a single A-rated insurance company.

Note 8 - Risk Management (Continued)

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. This includes estimated liabilities of the Michigan Municipal Risk Management Authority program through June 30, 1994, estimated liabilities of the Michigan Municipal League program from July 1, 1994 through June 30, 2003, and estimated deductible payments related to the Municipal Insurance Alliance for claims subsequent to July 1, 2003.

Changes in the estimated liability for the past two fiscal years were as follows:

	2008	2007
Estimated liability - Beginning of year	\$ 907,215	\$ 880,209
Estimated claims incurred, including changes in estimates	614,841	248,779
Claim payments	(788,290)	(221,773)
Estimated liability - End of year	<u>\$ 733,766</u>	<u>\$ 907,215</u>

Note 9 - Construction Code Fees

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at July 1, 2007	\$ 1,037,182
Current year building permit revenue	1,914,010
Related expenses:	
Direct costs	\$ 2,495,614
Estimated indirect costs	<u>283,315</u>
Total construction code expenses	<u>2,778,929</u>
Cumulative surplus at June 30, 2008	<u>\$ 172,263</u>

Note 10 - Designated Fund Balances

The fund balances of the following funds have been designated for the following purposes:

	General Fund	Other Nonmajor Governmental Funds
Subsequent years' budgeted expenditures	\$ 3,374,241	\$ 3,794,877
Building reserve	-	100,000
Total designated fund balances	<u>\$ 3,374,241</u>	<u>\$ 3,894,877</u>

Note 11 - Defined Benefit Pension Plan

Plan Description

The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The authority to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units and requires contributions of 2.43 percent to 6.44 percent from 100 percent of the covered or eligible employees.

Note 11 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost

For the year ended June 30, 2008, the City's annual pension cost of \$2,573,573 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected wage inflation assumption of 4.5 percent, and (c) an increase based on an age-related scale to reflect merit, longevity, and promotional pay increases. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over 30 years. The amortization period is open.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2006	2007	2008
Annual pension cost (APC)	\$ 1,938,734	\$ 1,945,388	\$ 1,965,244
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
	2005	2006	2007
Actuarial value of assets	\$ 35,577,406	\$ 38,802,064	\$ 41,996,050
Actuarial accrued liability (AAL)			
(entry age normal cost method)	\$ 51,073,379	\$ 55,052,959	\$ 60,092,002
Unfunded AAL (UAAL)	\$ 15,495,973	\$ 16,250,895	\$ 18,095,952
Funded ratio	70%	70%	70%
Covered payroll	\$ 15,723,059	\$ 15,488,975	\$ 15,605,658
UAAL as a percentage of covered payroll	99%	105%	116%

Note 12 - Defined Contribution Plan Description

Effective May 1, 2006, December 1, 2006, and July 1, 2007, all new administrative, teamster, and library employees, respectively, will participate in the MERS Defined Contribution (DC) program. Administrative employees hired prior to May 1, 2006 had the irrevocable option to transfer from the Defined Benefit Program to the Defined Contribution Program on December 1, 2006. Teamster employees hired prior to December 1, 2006 had an irrevocable option to transfer from the Defined Benefit Program to the Defined Contribution Program on June 1, 2007. The City of Novi contributes 8 percent of eligible earnings and each member contributes 3 percent to an individual account established for each administrative and teamster participant. For the library employees, the Library contributes 6 percent of eligible earnings and each member contributes 3 percent to an individual account established for each participant. All contributions are remitted to a third-party plan administrator. The DC plan maintains a schedule of vesting, with the participants becoming fully vested upon completion of seven years of continuous service. The contribution requirements of plan members are established and may be amended by the City Council in accordance with City policies, union contracts, and MERS plan provisions. There were 29 members participating in the DC plan as of June 30, 2008.

Note 13 - Other Postemployment Benefits

Plan Description

The City provides healthcare benefits to most full-time employees upon retirement. Currently, 56 retirees are eligible and 44 are receiving benefits. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. This healthcare benefit plan is closed to all administrative employees hired after May 1, 2006 and teamster employees hired after December 1, 2006. These employees are enrolled into an individual Retiree Health Care Savings Account.

The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

Note 13 - Other Postemployment Benefits (Continued)

Funding Policy

The collective bargaining units require a contribution by the participant for 20 percent of annual premiums. Retiree healthcare costs are recognized when paid by the City. For the fiscal year ended June 30, 2008, the City made payments for postemployment health benefit premiums of approximately \$60,000 paid out of the General Fund for individuals that retired prior to June 30, 1994 and \$311,000 paid out of the Retiree Health Care Benefits Fund for individuals retiring after June 30, 1994. The City also contributed another \$1,733,454 to the Retiree Health Care Benefits Pension and Other Employee Benefit Trust Fund to pre-fund future retiree healthcare benefits. The pre-funding plan required an average contribution of 10.13 percent of active payroll payable. The \$1,733,454 represents the amount funded based on payroll and includes a one-time additional contribution of \$388,000. The trust has a fund balance of \$8,889,722 as of June 30, 2008.

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of July 1, 2007:

Actuarial value of assets	\$ 7,992,415
Actuarial accrued liability (AAL)	\$ 18,829,286
Unfunded AAL (UAAL)	\$ 10,836,871
Funded ratio	42.45%
Annual covered payroll	\$ 13,605,857
Ratio of UAAL to covered payroll	79.65%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress above presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 13 - Other Postemployment Benefits (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included an 8.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 12 percent initially, reduced by decrements to an ultimate rate of 5 percent after seven years. Both rates included a 4.5 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll for members on an open basis. The remaining amortization period at July 1, 2007 was 30 years.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year beginning July 1, 2008.

Note 14 - Joint Venture

The City participates in the Southwest Oakland Cable Commission with the cities of Farmington and Farmington Hills. The City appoints two members to the governing board of the Cable Commission, which then approves the annual budget. The Cable Commission receives 5 percent of the total cable television charges from the cable television company as franchise fees and a 1 percent PEG fee. The Cable Commission retains 3 percent of these fees and submits the additional 3 percent to the City. Financial information of the joint venture as of June 30, 2008 can be obtained from the administrative offices at 24021 Research Drive, Farmington Hills, Michigan.

In addition, the City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County. The Authority is incorporated by the Cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, Wixom, and the Charter Township of South Lyon. The City appoints one member to the joint venture's governing board, which then approves the annual budget. The joint venture receives its operating revenue from member contributions and miscellaneous income. The financial information of the joint venture as of June 30, 2008 can be obtained from the Authority's administrative offices at 20000 West 8 Mile Road, Southfield, Michigan.

For both joint ventures, the City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

Required Supplemental Information

City of Novi, Michigan

Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenue</u>				
Taxes				
Current property taxes	\$ 16,788,000	\$ 16,788,000	\$ 16,662,474	\$ (125,526)
Trailer fees	9,400	9,400	8,579	(821)
Penalty and interest	203,900	203,900	416,039	212,139
Total taxes	17,001,300	17,001,300	17,087,092	85,792
Licenses, Permits, and Charges for Services	3,422,100	3,225,700	3,100,389	(125,311)
Intergovernmental Revenue				
State-shared revenue	3,473,639	3,473,639	3,613,152	139,513
Federal grants	-	135,605	144,727	9,122
Police training grant	32,300	32,300	28,948	(3,352)
Total intergovernmental revenue	3,505,939	3,641,544	3,786,827	145,283
Fines and Forfeitures	453,000	403,000	364,067	(38,933)
Interest Income	815,000	1,465,000	1,779,005	314,005
Other Revenue	589,000	589,000	839,732	250,732
Transfers In	5,188,900	5,188,900	5,188,900	-
Total revenue	30,975,239	31,514,444	32,146,012	631,568
<u>Expenditures</u>				
City Council				
Personal services	5,830	5,830	4,135	1,695
Other services and charges	12,700	18,200	17,445	755
Total City Council	18,530	24,030	21,580	2,450
City Manager				
Personal services	379,004	397,104	400,469	(3,365)
Supplies	700	700	812	(112)
Other services and charges	17,350	24,950	24,295	655
Total city manager	397,054	422,754	425,576	(2,822)

City of Novi, Michigan

Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund (Continued) Year Ended June 30, 2008

Expenditures (Continued)	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Finance Department				
Personal services	\$ 734,987	\$ 734,987	\$ 698,288	\$ 36,699
Other services and charges	51,920	51,920	41,722	10,198
Capital outlay	225,000	252,675	136,905	115,770
Total finance department	1,011,907	1,039,582	876,915	162,667
Information Technology				
Personal services	381,145	390,845	381,636	9,209
Supplies	48,890	48,890	35,923	12,967
Other services and charges	144,885	167,885	157,258	10,627
Total information technology	574,920	607,620	574,817	32,803
Assessing				
Personal services	609,475	609,475	572,090	37,385
Supplies	1,950	1,950	1,657	293
Other services and charges	140,800	205,200	195,159	10,041
Capital outlay	19,000	23,000	22,978	22
Total assessing	771,225	839,625	791,884	47,741
City Attorney	434,425	466,425	463,023	3,402
City Clerk				
Personal services	523,402	527,202	474,380	52,822
Supplies	20,500	30,000	27,601	2,399
Other services and charges	26,100	26,100	20,374	5,726
Capital outlay	-	25,000	20,972	4,028
Total city clerk	570,002	608,302	543,327	64,975
Treasury				
Personal services	235,650	235,650	227,289	8,361
Supplies	19,835	19,835	19,423	412
Other services and charges	39,967	44,817	38,619	6,198
Total treasury	295,452	300,302	285,331	14,971
Building and Grounds				
Personal services	233,844	262,344	261,705	639
Supplies	60,415	60,415	23,539	36,876
Other services and charges	594,570	594,570	510,702	83,868
Capital outlay	53,100	443,950	164,832	279,118
Total building and grounds	941,929	1,361,279	960,778	400,501

City of Novi, Michigan

Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund (Continued) Year Ended June 30, 2008

Expenditures (Continued)	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Neighborhood and Business Relations Group				
Personal services	\$ 365,023	\$ 365,023	\$ 322,815	\$ 42,208
Supplies	8,250	17,250	19,749	(2,499)
Other services and charges	196,575	215,075	236,090	(21,015)
Total neighborhood and business relations group	569,848	597,348	578,654	18,694
General Administration				
Personal services	1,087,249	1,093,649	1,094,803	(1,154)
Supplies	95,448	95,448	87,255	8,193
Other services and charges	772,859	783,909	682,922	100,987
Total general administration	1,955,556	1,973,006	1,864,980	108,026
Police Department				
Personal services	10,062,715	10,062,715	9,929,570	133,145
Supplies	202,225	212,325	218,056	(5,731)
Other services and charges	959,005	959,005	956,660	2,345
Capital outlay	-	21,500	21,478	22
Total police department	11,223,945	11,255,545	11,125,764	129,781
Fire Department				
Personal services	4,063,896	4,265,676	4,396,370	(130,694)
Supplies	161,600	161,600	149,336	12,264
Other services and charges	383,572	523,327	449,907	73,420
Capital outlay	2,024,304	2,073,304	214,148	1,859,156
Total fire department	6,633,372	7,023,907	5,209,761	1,814,146
Community Development - Building Division				
Personal services	2,192,458	2,216,458	2,179,321	37,137
Supplies	55,820	68,720	61,221	7,499
Other services and charges	231,446	253,196	173,802	79,394
Capital outlay	74,400	81,400	81,271	129
Total community development - Building division	2,554,124	2,619,774	2,495,615	124,159
Community Development - Planning Division				
Personal services	594,959	601,659	595,976	5,683
Supplies	11,015	11,015	7,768	3,247
Other services and charges	127,012	172,812	139,374	33,438
Total community development - Planning division	732,986	785,486	743,118	42,368

City of Novi, Michigan

Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) General Fund (Continued) Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Department of Public Works				
Personal services	\$ 2,131,789	\$ 2,195,689	\$ 2,149,111	\$ 46,578
Supplies	124,950	124,950	127,957	(3,007)
Other services and charges	616,532	656,532	622,778	33,754
Capital outlay	272,156	473,396	306,767	166,629
Allocated to other operations	(1,982,370)	(1,982,370)	(2,208,077)	225,707
Total department of public works	1,163,057	1,468,197	998,536	469,661
Engineering Division				
Personal services	576,744	576,744	526,889	49,855
Supplies	5,080	5,080	3,544	1,536
Other services and charges	24,030	29,530	33,031	(3,501)
Allocated to other operations	(160,300)	(93,200)	(199,266)	106,066
Total engineering	445,554	518,154	364,198	153,956
Planning Commission				
Supplies	400	400	249	151
Other services and charges	28,200	28,200	7,663	20,537
Total planning commission	28,600	28,600	7,912	20,688
Contingencies	685,000	-	-	-
Transfers Out	2,966,486	3,016,486	3,015,981	505
Total expenditures	33,973,972	34,956,422	31,347,750	3,608,672
Net Change in Fund Balance	(2,998,733)	(3,441,978)	798,262	4,240,240
Fund Balance - Beginning of year	11,614,777	11,614,777	11,614,777	-
Fund Balance - End of year	<u>\$ 8,616,044</u>	<u>\$ 8,172,799</u>	<u>\$ 12,413,039</u>	<u>\$ 4,240,240</u>

City of Novi, Michigan

Required Supplemental Information Budgetary Comparison Schedule (Non-GAAP Budgetary Basis) Municipal Streets Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,683,000	\$ 2,683,000	\$ 2,686,266	\$ 3,266
Special assessments	1,253,403	1,253,403	1,259,550	6,147
Interest income	860,528	932,528	1,112,812	180,284
Miscellaneous income	86,278	86,278	233,384	147,106
Total revenue	4,883,209	4,955,209	5,292,012	336,803
Expenditures				
Construction	791,145	1,525,145	1,024,866	500,279
Routine maintenance	459,500	527,500	278,553	248,947
Winter maintenance - County roads	95,448	167,448	210,452	(43,004)
Administration	15,100	15,100	2,371	12,729
Street lighting	11,500	11,500	18,045	(6,545)
Bikes, trails, and sidewalks	330,796	704,041	497,499	206,542
Debt service	2,017,875	2,017,875	2,017,677	198
Transfers out	850,000	850,000	850,000	-
Total expenditures	4,571,364	5,818,609	4,899,463	919,146
Net Change in Fund Balance	311,845	(863,400)	392,549	1,255,949
Fund Balance - Beginning of year	4,466,368	4,466,368	4,466,368	-
Fund Balance - End of year	<u>\$ 4,778,213</u>	<u>\$ 3,602,968</u>	<u>\$ 4,858,917</u>	<u>\$ 1,255,949</u>

City of Novi, Michigan

Note to Required Supplemental Information Year Ended June 30, 2008

Note - Basis of Budgeting

The City adopts a formal budget for the General Fund and all Special Revenue Funds. All department heads submit spending requests to the city manager so that a budget may be prepared. Before the third Monday in April, the proposed budget is submitted to the City Council for review. Public hearings are held, and a final budget is adopted no later than the third Monday in May. Adoption of the budget requires approval of five votes of the seven-member City Council. The City Council must approve any budget amendments.

During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General and Municipal Streets Funds is presented as required supplemental information. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the nonmajor funds is presented as other supplemental information.

The budget is adopted by category within activity (i.e., personal services, supplies, other services and charges, and capital outlay within each department). Although spending estimates are produced for each line item, budgetary control is exercised at this category level. Expenditures at this level must be approved by the City Council. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. Encumbrances represent commitments related to unperformed contracts (or purchase orders) for goods or services. Encumbrances are not included as expenditures or liabilities; the amount of encumbrances outstanding at June 30, 2008 is not significant.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that transfers have been included in the "revenue" and "expenditure" categories, rather than as "other financing sources (uses)."

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were in excess of the amounts budgeted. The unfavorable variances were caused by unanticipated expenditures that became necessary during the year. There were two significant budget overruns within the General Fund. Other services and charges within the Neighborhood and Business Relations Group exceeded budget by \$21,015. The majority of this amount was due to additional expenditures incurred for the City's web page maintenance due to the addition of Eweb, an employee intraweb site, and the addition of live video streaming of City Council meetings. Personal services within the fire department exceeded budget by \$130,694 and was caused by an unanticipated expenditure in workers' compensation and overtime costs.

Other Supplemental Information

City of Novi, Michigan

	Special Revenue Funds				
	Major Street	Local Street	Police and Fire	Tree Fund	Parks, Recreation, and Forestry
Assets					
Cash and investments	\$ 1,026,935	\$ 2,399,475	\$ 1,709,792	\$ 1,256,971	\$ 2,322,159
Accounts receivable:					
Other governmental units	349,289	123,273	-	-	14,018
Taxes	-	-	31,884	-	8,611
Special assessments	321,000	-	-	-	-
Other	-	-	-	1,090	33,232
Restricted assets	1,258,580	310,077	-	-	-
Total assets	<u>\$ 2,955,804</u>	<u>\$ 2,832,825</u>	<u>\$ 1,741,676</u>	<u>\$ 1,258,061</u>	<u>\$ 2,378,020</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 164,424	\$ 504,967	\$ -	\$ 53,285	\$ 156,491
Accrued and other liabilities	-	-	-	-	30,022
Deferred revenue	321,000	-	-	-	145,075
Total liabilities	485,424	504,967	-	53,285	331,588
Fund Balances					
Reserved - Restricted assets	1,258,580	310,077	-	-	-
Unreserved:					
Designated	776,874	511,257	-	156,910	262,217
Undesignated	434,926	1,506,524	1,741,676	1,047,866	1,784,215
Total fund balances	2,470,380	2,327,858	1,741,676	1,204,776	2,046,432
Total liabilities and fund balances	<u>\$ 2,955,804</u>	<u>\$ 2,832,825</u>	<u>\$ 1,741,676</u>	<u>\$ 1,258,061</u>	<u>\$ 2,378,020</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

Special Revenue Funds							
Drain Revenue	Drain Perpetual Maintenance	Special Assessment Revolving	Judgment Trust	Contributions and Donations	Forfeiture Fund	Library	Walker Building Fund
\$ 5,422,446	\$ 5,694,905	\$ 2,313,362	\$ 223,255	\$ -	\$ 1,195,003	\$ 1,769,709	\$ -
18,612	-	-	-	-	-	-	-
11,397	-	-	-	-	-	17,232	-
2,230	-	-	-	-	-	-	-
-	-	-	463	-	-	500	-
1,301,519	-	-	-	165,774	-	-	1,400,193
\$ 6,756,204	\$ 5,694,905	\$ 2,313,362	\$ 223,718	\$ 165,774	\$ 1,195,003	\$ 1,787,441	\$ 1,400,193
\$ 504,224	\$ -	\$ -	\$ 4,186	\$ 30,515	\$ 84,585	\$ 86,620	\$ -
-	-	-	-	-	-	12,914	-
2,230	-	-	-	-	-	-	-
506,454	-	-	4,186	30,515	84,585	99,534	-
1,301,519	-	-	-	135,259	-	-	-
449,908	-	-	100	-	237,418	100,000	1,400,193
4,498,323	5,694,905	2,313,362	219,432	-	873,000	1,587,907	-
6,249,750	5,694,905	2,313,362	219,532	135,259	1,110,418	1,687,907	1,400,193
\$ 6,756,204	\$ 5,694,905	\$ 2,313,362	\$ 223,718	\$ 165,774	\$ 1,195,003	\$ 1,787,441	\$ 1,400,193

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City of Novi, Michigan

Debt Service Funds				
	Special Assessments	2000 Voted Street	2000 Limited Tax Debt Fund	2002 Michigan Transportation Fund Refunding Debt
Assets				
Cash and investments	\$ 692,848	\$ 94,023	\$ -	\$ -
Accounts receivable:				
Other governmental units	-	-	-	-
Taxes	-	5,998	-	-
Special assessments	-	-	-	-
Other	-	-	-	-
Restricted assets	-	-	-	-
Total assets	<u>\$ 692,848</u>	<u>\$ 100,021</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	-	-
Deferred revenue	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances				
Reserved - Restricted assets	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	692,848	100,021	-	-
Total fund balances	<u>692,848</u>	<u>100,021</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 692,848</u>	<u>\$ 100,021</u>	<u>\$ -</u>	<u>\$ -</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2008**

Debt Service Funds				
1999 Police Debt Fund	2003 Refunding Debt Fund	2002 Street and Refunding Debt Fund	2008 Library Construction Debt Fund	1993 Refunding Debt Fund
\$ -	\$ 145,620	\$ 316,861	\$ 48,850	\$ 127,278
-	-	-	-	-
-	5,758	20,010	-	9,417
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ -</u>	<u>\$ 151,378</u>	<u>\$ 336,871</u>	<u>\$ 48,850</u>	<u>\$ 136,695</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	48,840	-
-	-	-	-	-
-	-	-	48,840	-
-	-	-	-	-
-	-	-	-	-
-	151,378	336,871	10	136,695
-	151,378	336,871	10	136,695
<u>\$ -</u>	<u>\$ 151,378</u>	<u>\$ 336,871</u>	<u>\$ 48,850</u>	<u>\$ 136,695</u>

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City of Novi, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds (Continued) June 30, 2008

	Capital Projects Funds		
	2000 Voted Street Construction	1999 Police Building Construction	Total Nonmajor Governmental Funds
Assets			
Cash and investments	\$ -	\$ -	\$ 26,759,492
Accounts receivable:			
Other governmental units	-	-	505,192
Taxes	-	-	110,307
Special assessments	-	-	323,230
Other	-	-	35,285
Restricted assets	-	-	4,436,143
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,169,649</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ -	\$ -	\$ 1,589,297
Accrued and other liabilities	-	-	91,776
Deferred revenue	-	-	468,305
Total liabilities	-	-	2,149,378
Fund Balances			
Reserved - Restricted assets	-	-	3,005,435
Unreserved:			
Designated	-	-	3,894,877
Undesignated	-	-	23,119,959
Total fund balances	-	-	30,020,271
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,169,649</u>

City of Novi, Michigan

	Special Revenue Funds				
	Major Street	Local Street	Police and Fire	Tree Fund	Parks, Recreation, and Forestry
Revenue					
Property taxes	\$ -	\$ -	\$ 5,018,807	\$ -	\$ 1,342,483
Federal grants	-	-	-	10,000	96,102
State sources	2,132,177	751,725	-	-	-
Special assessments	107,000	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest income	178,333	88,375	92,937	59,169	70,092
Recreational programs	-	-	-	-	1,051,844
Donations	-	-	-	-	-
Other revenue	-	-	-	27,351	8,148
Total revenue	2,417,510	840,100	5,111,744	96,520	2,568,669
Expenditures					
Administration	500	500	-	-	-
Construction	1,275,363	1,179,954	-	-	-
Street maintenance	1,408,540	1,044,369	-	-	-
Drain maintenance	-	-	-	-	-
Recreational programs	-	-	-	-	1,921,020
Forestry and park maintenance	-	-	-	214,832	941,060
Library programs	-	-	-	-	-
Other	-	-	-	-	-
Capital outlay	-	-	-	11,981	169,401
Debt service	214,873	-	-	-	-
Total expenditures	2,899,276	2,224,823	-	226,813	3,031,481
Excess of Revenue Over (Under)					
Expenditures	(481,766)	(1,384,723)	5,111,744	(130,293)	(462,812)
Other Financing Sources (Uses)					
Transfers in	-	2,384,687	-	-	1,333,049
Transfers out	(659,605)	-	(5,188,900)	-	-
Total other financing sources (uses)	(659,605)	2,384,687	(5,188,900)	-	1,333,049
Net Change in Fund Balances	(1,141,371)	999,964	(77,156)	(130,293)	870,237
Fund Balances - Beginning of year	3,611,751	1,327,894	1,818,832	1,335,069	1,176,195
Fund Balances - End of year	<u>\$ 2,470,380</u>	<u>\$ 2,327,858</u>	<u>\$ 1,741,676</u>	<u>\$ 1,204,776</u>	<u>\$ 2,046,432</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2008

Special Revenue Funds

Drain Revenue	Drain Perpetual Maintenance	Special Assessment Revolving	Judgment Trust	Contributions and Donations	Forfeiture Fund	Library	Walker Building Fund
\$ 1,777,241	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,694,755	\$ -
19,591	-	-	-	-	-	-	-
-	-	-	-	-	-	35,746	-
4,976	-	-	-	-	-	-	-
-	-	-	-	-	186,745	107,576	-
316,371	221,662	97,339	9,909	4,200	117,804	100,010	76,661
-	-	-	-	-	-	-	-
-	-	-	-	12,056	-	-	37,290
18,612	39,577	-	871	-	-	29,668	-
2,136,791	261,239	97,339	10,780	16,256	304,549	2,967,755	113,951
-	-	500	-	-	-	-	-
637,410	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
577,476	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,529,724	-
-	-	-	433,820	6,138	294,130	-	-
309,625	-	-	-	-	2,151,489	41,512	-
-	-	-	-	-	-	-	-
1,524,511	-	500	433,820	6,138	2,445,619	2,571,236	-
612,280	261,239	96,839	(423,040)	10,118	(2,141,070)	396,519	113,951
-	-	-	425,000	-	-	-	-
-	-	-	-	(743)	(1,321,581)	-	-
-	-	-	425,000	(743)	(1,321,581)	-	-
612,280	261,239	96,839	1,960	9,375	(3,462,651)	396,519	113,951
5,637,470	5,433,666	2,216,523	217,572	125,884	4,573,069	1,291,388	1,286,242
\$ 6,249,750	\$ 5,694,905	\$ 2,313,362	\$ 219,532	\$ 135,259	\$ 1,110,418	\$ 1,687,907	\$ 1,400,193

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City of Novi, Michigan

	Debt Service Funds			
	Special Assessments	2000 Voted Street	2000 Limited Tax Debt Fund	2002 Michigan Transportation Fund Refunding Debt
Revenue				
Property taxes	\$ -	\$ 931,938	\$ -	\$ -
Federal grants	-	-	-	-
State sources	-	-	-	-
Special assessments	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest income	33,878	8,291	-	-
Recreational programs	-	-	-	-
Donations	-	-	-	-
Other revenue	-	-	-	-
Total revenue	33,878	940,229	-	-
Expenditures				
Administration	-	-	-	-
Construction	-	-	-	-
Street maintenance	-	-	-	-
Drain maintenance	-	-	-	-
Recreational programs	-	-	-	-
Forestry and park maintenance	-	-	-	-
Library programs	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	926,513	258,675	124,918
Total expenditures	-	926,513	258,675	124,918
Excess of Revenue Over (Under)				
Expenditures	33,878	13,716	(258,675)	(124,918)
Other Financing Sources (Uses)				
Transfers in	-	-	258,675	124,918
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	258,675	124,918
Net Change in Fund Balances	33,878	13,716	-	-
Fund Balances - Beginning of year	658,970	86,305	-	-
Fund Balances - End of year	<u>\$ 692,848</u>	<u>\$ 100,021</u>	<u>\$ -</u>	<u>\$ -</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds (Continued)
Year Ended June 30, 2008

Debt Service Funds

1999 Police Debt Fund	2003 Refunding Debt Fund	2002 Street and Refunding Debt	2008 Library Construction Debt Fund	1993 Refunding Debt Fund
\$ -	\$ 909,444	\$ 3,115,937	\$ -	\$ 1,466,533
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
16,925	8,733	23,506	10	7,568
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
16,925	918,177	3,139,443	10	1,474,101
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,712,475	894,637	3,119,688	-	1,463,534
2,712,475	894,637	3,119,688	-	1,463,534
(2,695,550)	23,540	19,755	10	10,567
2,562,057	-	-	-	-
-	-	-	-	-
2,562,057	-	-	-	-
(133,493)	23,540	19,755	10	10,567
133,493	127,838	317,116	-	126,128
\$ -	\$ 151,378	\$ 336,871	\$ 10	\$ 136,695

City of Novi, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

	Capital Projects Funds		
	2000 Voted Street Construction	1999 Police Building Construction	Total Nonmajor Governmental Funds
Revenue			
Property taxes	\$ -	\$ -	\$ 17,257,138
Federal grants	-	-	125,693
State sources	-	-	2,919,648
Special assessments	-	-	111,976
Fines and forfeitures	-	-	294,321
Interest income	17,792	16,307	1,565,872
Recreation programs	-	-	1,051,844
Donations	-	-	49,346
Other revenue	-	-	124,227
Total revenue	17,792	16,307	23,500,065
Expenditures			
Administration	-	-	1,500
Construction	1,538,415	-	4,631,142
Street maintenance	-	-	2,452,909
Drain maintenance	-	-	577,476
Recreational programs	-	-	1,921,020
Forestry and park maintenance	-	-	1,155,892
Library programs	-	-	2,529,724
Other	-	-	734,088
Capital outlay	-	-	2,684,008
Debt service	-	-	9,715,313
Total expenditures	1,538,415	-	26,403,072
Excess of Revenue Over (Under)			
Expenditures	(1,520,623)	16,307	(2,903,007)
Other Financing Sources (Uses)			
Transfers in	-	-	7,088,386
Transfers out	-	(1,240,476)	(8,411,305)
Total other financing sources (uses)	-	(1,240,476)	(1,322,919)
Net Change in Fund Balances	(1,520,623)	(1,224,169)	(4,225,926)
Fund Balances - Beginning of year	1,520,623	1,224,169	40,956,418
Fund Balances - End of year	\$ -	\$ -	\$ 30,020,271

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Year Ended June 30, 2008

Special Revenue - Major Streets

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
State sources	\$ 2,221,341	\$ 2,137,341	\$ 2,132,177	\$ (5,164)
Special assessments	107,001	107,001	107,000	(1)
Interest income	92,800	126,800	178,333	51,533
Total revenue	2,421,142	2,371,142	2,417,510	46,368
Expenditures				
Administration	600	600	500	100
Construction	989,900	2,411,900	1,275,363	1,136,537
Routine maintenance	772,600	851,600	736,248	115,352
Traffic services	291,731	291,731	291,290	441
Winter maintenance	231,918	406,918	381,002	25,916
Debt service	214,875	214,875	214,873	2
Transfers out	680,303	680,303	659,605	20,698
Total expenditures	3,181,927	4,857,927	3,558,881	1,299,046
Net Change in Fund Balance	(760,785)	(2,486,785)	(1,141,371)	1,345,414
Fund Balance - Beginning of year	3,611,751	3,611,751	3,611,751	-
Fund Balance - End of year	<u>\$ 2,850,966</u>	<u>\$ 1,124,966</u>	<u>\$ 2,470,380</u>	<u>\$ 1,345,414</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Special Revenue - Local Street

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
State sources	\$ 771,853	\$ 753,853	\$ 751,725	\$ (2,128)
Interest income	7,690	25,690	88,375	62,685
Transfers in	2,405,335	2,405,335	2,384,687	(20,648)
Total revenue	3,184,878	3,184,878	3,224,787	39,909
Expenditures				
Administration	600	600	500	100
Construction	2,700,600	2,846,900	1,179,954	1,666,946
Routine maintenance	685,006	685,006	551,698	133,308
Traffic services	172,029	172,029	140,646	31,383
Winter maintenance	261,125	426,125	352,025	74,100
Total expenditures	3,819,360	4,130,660	2,224,823	1,905,837
Net Change in Fund Balance	(634,482)	(945,782)	999,964	1,945,746
Fund Balance - Beginning of year	1,327,894	1,327,894	1,327,894	-
Fund Balance - End of year	<u>\$ 693,412</u>	<u>\$ 382,112</u>	<u>\$ 2,327,858</u>	<u>\$ 1,945,746</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Special Revenue - Police and Fire

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Taxes	\$ 4,973,000	\$ 4,973,000	\$ 5,018,807	\$ 45,807
Interest income	55,900	55,900	92,937	37,037
Total revenue	5,028,900	5,028,900	5,111,744	82,844
Expenditures - Transfers out	5,188,900	5,188,900	5,188,900	-
Net Change in Fund Balance	(160,000)	(160,000)	(77,156)	82,844
Fund Balance - Beginning of year	1,818,832	1,818,832	1,818,832	-
Fund Balance - End of year	<u>\$ 1,658,832</u>	<u>\$ 1,658,832</u>	<u>\$ 1,741,676</u>	<u>\$ 82,844</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Special Revenue - Parks, Recreation, and Forestry

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
<u>Revenue</u>				
Taxes	\$ 1,340,000	\$ 1,340,000	\$ 1,342,483	\$ 2,483
Federal grants	116,769	971,169	96,102	(875,067)
Program revenue	899,314	879,314	906,480	27,166
Older adults program revenue	112,014	112,014	145,364	33,350
Interest income	26,580	56,580	70,092	13,512
Other	5,000	5,000	8,148	3,148
Transfers in	1,332,306	1,332,306	1,333,049	743
Total revenue	3,831,983	4,696,383	3,901,718	(794,665)
<u>Expenditures</u>				
Administration				
Personal services	404,545	424,545	417,402	7,143
Supplies	53,600	53,600	44,903	8,697
Other services and charges	208,556	223,556	196,877	26,679
Capital outlay	715,000	1,751,400	47,401	1,703,999
Total administration	1,381,701	2,453,101	706,583	1,746,518
Recreation				
Personal services	312,618	312,618	252,622	59,996
Other services and charges	657,966	682,766	640,902	41,864
Total recreation	970,584	995,384	893,524	101,860
Older Adults				
Personal services	153,749	153,749	152,367	1,382
Supplies	3,725	3,725	3,237	488
Other services and charges	236,360	239,110	212,710	26,400
Capital outlay	39,000	39,000	30,522	8,478
Total senior citizens	432,834	435,584	398,836	36,748
Forestry and Park Maintenance				
Personal services	753,931	773,431	724,496	48,935
Supplies	27,510	27,510	19,582	7,928
Other services and charges	216,560	216,560	196,982	19,578
Capital outlay	98,150	98,150	91,478	6,672
Total forestry and park maintenance	1,096,151	1,115,651	1,032,538	83,113
Total expenditures	3,881,270	4,999,720	3,031,481	1,968,239
Net Change in Fund Balance	(49,287)	(303,337)	870,237	1,173,574
Fund Balance - Beginning of year	1,176,195	1,176,195	1,176,195	-
Fund Balance - End of year	\$ 1,126,908	\$ 872,858	\$ 2,046,432	\$ 1,173,574

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Special Revenue - Tree Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Federal grants	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Tree fund	150,000	150,000	21,860	(128,140)
Tree fund maintenance	25,000	25,000	5,491	(19,509)
Interest income	23,950	23,950	59,169	35,219
Total revenue	208,950	208,950	96,520	(112,430)
Expenditures - Forestry and park maintenance	375,200	432,200	226,813	205,387
Net Change in Fund Balance	(166,250)	(223,250)	(130,293)	92,957
Fund Balance - Beginning of year	1,335,069	1,335,069	1,335,069	-
Fund Balance - End of year	<u>\$ 1,168,819</u>	<u>\$ 1,111,819</u>	<u>\$ 1,204,776</u>	<u>\$ 92,957</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Special Revenue - Drain Revenue

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Taxes	\$ 1,770,000	\$ 1,770,000	\$ 1,777,241	\$ 7,241
Federal grants	19,591	19,591	19,591	-
Special assessments	-	-	4,976	4,976
Interest income	69,700	69,700	316,371	246,671
Other	-	-	18,612	18,612
Total revenue	1,859,291	1,859,291	2,136,791	277,500
Expenditures				
Construction	556,310	669,690	637,410	32,280
Maintenance	949,789	1,081,719	577,476	504,243
Capital outlay	310,000	310,000	309,625	375
Total expenditures	1,816,099	2,061,409	1,524,511	536,898
Net Change in Fund Balance	43,192	(202,118)	612,280	814,398
Fund Balance - Beginning of year	5,637,470	5,637,470	5,637,470	-
Fund Balance - End of year	<u>\$ 5,680,662</u>	<u>\$ 5,435,352</u>	<u>\$ 6,249,750</u>	<u>\$ 814,398</u>

Special Revenue - Drain Perpetual Maintenance

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Interest income	\$ 179,630	\$ 179,630	\$ 221,662	\$ 42,032
Other	-	-	39,577	39,577
Total revenue	179,630	179,630	261,239	81,609
Fund Balance - Beginning of year	5,433,666	5,433,666	5,433,666	-
Fund Balance - End of year	<u>\$ 5,613,296</u>	<u>\$ 5,613,296</u>	<u>\$ 5,694,905</u>	<u>\$ 81,609</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Special Revenue - Special Assessment Revolving

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue - Interest income	\$ 67,800	\$ 67,800	\$ 97,339	\$ 29,539
Expenditures - Other	500	500	500	-
Net Change in Fund Balance	67,300	67,300	96,839	29,539
Fund Balance - Beginning of year	2,216,523	2,216,523	2,216,523	-
Fund Balance - End of year	<u>\$ 2,283,823</u>	<u>\$ 2,283,823</u>	<u>\$ 2,313,362</u>	<u>\$ 29,539</u>

Special Revenue - Judgment Trust

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Interest income	\$ 5,980	\$ 5,980	\$ 9,909	\$ 3,929
Other	-	-	871	
Transfers in	375,000	425,000	425,000	-
Total revenue	380,980	430,980	435,780	3,929
Expenditures - Settlements and insurance claims	325,000	475,000	433,820	41,180
Net Change in Fund Balance	55,980	(44,020)	1,960	45,980
Fund Balance - Beginning of year	217,572	217,572	217,572	-
Fund Balance - End of year	<u>\$ 273,552</u>	<u>\$ 173,552</u>	<u>\$ 219,532</u>	<u>\$ 45,980</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Special Revenue - Contributions and Donations

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Interest income	\$ 500	\$ 500	\$ 4,200	\$ 3,700
Donations	1,500	7,500	12,056	4,556
Total revenue	2,000	8,000	16,256	8,256
Expenditures				
Other	1,500	6,500	6,138	362
Transfers out	-	1,000	743	257
Total expenditures	1,500	7,500	6,881	619
Net Change in Fund Balance	500	500	9,375	8,875
Fund Balance - Beginning of year	125,884	125,884	125,884	-
Fund Balance - End of year	<u>\$ 126,384</u>	<u>\$ 126,384</u>	<u>\$ 135,259</u>	<u>\$ 8,875</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Special Revenue - Forfeiture Fund

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Fines and forfeitures	\$ -	\$ -	\$ 186,745	\$ 186,745
Interest income	21,980	21,980	117,804	95,824
Total revenue	21,980	21,980	304,549	282,569
Expenditures				
Other services and charges	255,365	314,365	294,130	20,235
Capital outlay	1,781,496	2,798,546	2,151,489	647,057
Transfer out	1,353,742	1,353,742	1,321,581	32,161
Total expenditures	3,390,603	4,466,653	3,767,200	699,453
Net Change in Fund Balance	(3,368,623)	(4,444,673)	(3,462,651)	982,022
Fund Balance - Beginning of year	4,573,069	4,573,069	4,573,069	-
Fund Balance - End of year	<u>\$ 1,204,446</u>	<u>\$ 128,396</u>	<u>\$ 1,110,418</u>	<u>\$ 982,022</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Special Revenue - Library

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Taxes	\$ 2,691,000	\$ 2,691,000	\$ 2,694,755	\$ 3,755
State sources	15,600	15,600	35,746	20,146
Fines and forfeitures	103,000	103,000	107,576	4,576
Interest income	50,000	50,000	100,010	50,010
Other	24,600	24,600	29,668	5,068
Total revenue	2,884,200	2,884,200	2,967,755	83,555
Expenditures				
Personal services	1,745,460	1,745,460	1,653,268	92,192
Supplies	585,564	585,564	480,559	105,005
Other services and charges	460,176	460,176	395,897	64,279
Capital outlay	115,000	115,000	41,512	73,488
Total expenditures	2,906,200	2,906,200	2,571,236	334,964
Net Change in Fund Balance	(22,000)	(22,000)	396,519	418,519
Fund Balance - Beginning of year	1,291,388	1,291,388	1,291,388	-
Fund Balance - End of year	<u>\$ 1,269,388</u>	<u>\$ 1,269,388</u>	<u>\$ 1,687,907</u>	<u>\$ 418,519</u>

City of Novi, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2008

Special Revenue - Walker Building

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Positive (Negative)
Revenue				
Interest income	\$ 16,000	\$ 16,000	\$ 76,661	\$ 60,661
Donations	-	-	37,290	37,290
Total revenue	16,000	16,000	113,951	97,951
Fund Balance - Beginning of year	<u>1,286,242</u>	<u>1,286,242</u>	<u>1,286,242</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 1,302,242</u>	<u>\$ 1,302,242</u>	<u>\$ 1,400,193</u>	<u>\$ 97,951</u>

City of Novi, Michigan

Other Supplemental Information Agency Fund Statement of Changes in Assets and Liabilities Year Ended June 30, 2008

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
<u>Agency Fund</u>				
Assets - Cash and cash equivalents	<u>\$ 13,254,706</u>	<u>\$ 152,895,618</u>	<u>\$ (153,526,419)</u>	<u>\$ 12,623,905</u>
Liabilities				
Due to builders and developers	\$ 13,234,071	\$ 7,815,225	\$ (8,447,229)	\$ 12,602,067
Due to schools and other governmental units	<u>20,635</u>	<u>150,361,894</u>	<u>(150,360,691)</u>	<u>21,838</u>
Total liabilities	<u>\$ 13,254,706</u>	<u>\$ 158,177,119</u>	<u>\$ (158,807,920)</u>	<u>\$ 12,623,905</u>

Statistical Section

This part of the Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health.

The statistical section is organized into the following main categories:

Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity - These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.

Demographics and Economic Information - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources - Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

City of Novi, Michigan

Net Assets by Component Last Four Fiscal Years

	June 30			
	2005	2006	2007	2008
Governmental Activities				
Invested in capital assets - Net of related debt	\$ 62,204,015	\$ 71,209,178	\$ 75,202,275	\$ 84,846,486
Restricted	41,242,642	41,981,032	48,704,895	44,064,821
Unrestricted	6,876,193	9,181,892	9,883,457	12,277,054
Total net assets	<u>\$ 110,322,850</u>	<u>\$ 122,372,102</u>	<u>\$ 133,790,627</u>	<u>\$ 141,188,361</u>
Business-type Activities				
Invested in capital assets - Net of related debt	\$ 101,580,364	\$ 120,125,526	\$ 121,256,602	\$ 122,696,571
Restricted	10,763,974	9,233,967	9,539,969	9,253,056
Unrestricted	41,133,126	34,712,819	37,833,568	38,374,456
Total net assets	<u>\$ 153,477,464</u>	<u>\$ 164,072,312</u>	<u>\$ 168,630,139</u>	<u>\$ 170,324,083</u>
Primary Government in Total				
Invested in capital assets - Net of related debt	\$ 163,784,379	\$ 191,334,704	\$ 196,458,877	\$ 207,543,057
Restricted	52,006,616	51,214,999	58,244,864	53,317,877
Unrestricted	48,009,319	43,894,711	47,717,025	50,651,510
Total net assets	<u>\$ 263,800,314</u>	<u>\$ 286,444,414</u>	<u>\$ 302,420,766</u>	<u>\$ 311,512,444</u>

Source: City's annual financial statements

City of Novi, Michigan

Changes in Net Assets Governmental Activities Last Four Fiscal Years

	Year Ended June 30			
	2005	2006	2007	2008
Expenses				
General government	\$ 5,842,870	\$ 6,984,091	\$ 7,596,971	\$ 8,527,694
Public safety	16,168,230	17,394,448	18,364,779	20,006,508
Public works	9,168,248	9,247,149	9,718,720	9,993,071
Community and economic development	663,232	629,371	976,357	774,299
Recreation and culture	5,020,595	5,893,891	5,427,777	5,412,373
Interest on long-term debt	2,926,353	2,691,960	2,293,205	2,221,714
Total expenses	39,789,528	42,840,910	44,377,809	46,935,659
Program Revenue				
Charges for services:				
Public safety	2,849,549	3,197,692	3,893,549	2,688,989
Recreation and culture	1,174,776	1,157,091	1,072,208	1,212,573
Other activities	997,257	815,190	695,444	424,270
Total charges for services	5,021,582	5,169,973	5,661,201	4,325,832
Operating grants and contributions	4,406,610	6,989,196	6,462,178	3,271,673
Capital grants and contributions	2,171,125	2,287,153	1,051,753	1,023,837
Total program revenue	11,599,317	14,446,322	13,175,132	8,621,342
Net Expense	(28,190,211)	(28,394,588)	(31,202,677)	(38,314,317)
General Revenue				
Property taxes	30,565,158	32,741,087	34,954,183	37,030,496
State-shared revenue	3,756,453	3,728,482	3,613,152	3,613,152
Unrestricted interest earnings	1,357,939	2,706,553	3,556,170	3,604,198
Unrestricted cable television franchise fees	280,416	301,318	335,863	352,197
Miscellaneous	691,558	966,400	855,834	1,112,008
Total general revenue	36,651,524	40,443,840	43,315,202	45,712,051
Change in Net Assets Before Transfers	8,461,313	12,049,252	12,112,525	7,397,734
Transfers	-	-	(694,000)	-
Change in Net Assets	<u>\$ 8,461,313</u>	<u>\$ 12,049,252</u>	<u>\$ 11,418,525</u>	<u>\$ 7,397,734</u>

Source: City's annual financial statements

City of Novi, Michigan

Changes in Net Assets Business-type Activities Last Four Fiscal Years

	Year Ended June 30			
	2005	2006	2007	2008
Expenses				
Water and sewer	\$ 16,771,488	\$ 17,669,658	\$ 17,283,267	\$ 18,816,944
Ice arena	1,734,652	1,736,197	1,719,682	1,785,941
Senior housing	1,798,915	1,662,803	1,829,283	1,829,889
Total expenses	20,305,055	21,068,658	20,832,232	22,432,774
Program Revenue				
Charges for services:				
Water and sewer	12,382,451	14,413,573	14,156,642	15,842,032
Ice arena	1,736,504	1,948,994	1,953,805	2,096,064
Senior housing	1,717,479	1,750,117	1,781,596	1,821,871
Total charges for services	15,836,434	18,112,684	17,892,043	19,759,967
Capital grants and contributions	10,305,554	11,439,392	4,429,990	3,417,107
Total program revenue	26,141,988	29,552,076	22,322,033	23,177,074
Net Revenue	5,836,933	8,483,418	1,489,801	744,300
General Revenue				
Unrestricted interest earnings	1,849,517	2,098,954	2,374,026	949,644
Miscellaneous	-	12,476	-	-
Total general revenue	1,849,517	2,111,430	2,374,026	949,644
Transfers in	-	-	694,000	-
Change in Net Assets	\$ 7,686,450	\$ 10,594,848	\$ 4,557,827	\$ 1,693,944

Source: City's annual financial statements

City of Novi, Michigan

	June 30				
	1999	2000	2001	2002	2003
General Fund					
Reserved	\$ -	\$ -	\$ 66,386	\$ 48,879	\$ 4,910
Unreserved	<u>4,167,348</u>	<u>2,581,745</u>	<u>4,337,737</u>	<u>4,651,976</u>	<u>5,288,136</u>
Total General Fund	<u>\$ 4,167,348</u>	<u>\$ 2,581,745</u>	<u>\$ 4,404,123</u>	<u>\$ 4,700,855</u>	<u>\$ 5,293,046</u>
All Other Governmental Funds					
Reserved	\$ 95,494	\$ 100,819	\$ 13,785,461	\$ 109,290	\$ 1,572,501
Unreserved, reported in:					
Special Revenue Funds	10,644,597	12,448,172	14,544,390	23,992,512	20,300,100
Capital Project Funds	11,440,150	9,479,225	17,065,462	13,363,003	17,322,795
Debt Service Funds	<u>838,918</u>	<u>686,543</u>	<u>754,779</u>	<u>823,211</u>	<u>958,761</u>
Total all other governmental funds	<u>\$ 23,019,159</u>	<u>\$ 22,714,759</u>	<u>\$ 46,150,092</u>	<u>\$ 38,288,016</u>	<u>\$ 40,154,157</u>

Source: City's annual financial statements

**Fund Balances
Governmental Funds
Last Ten Fiscal Years**

June 30				
2004	2005	2006	2007	2008
\$ -	\$ 64,742	\$ 454,025	\$ 1,037,182	\$ 172,263
5,133,307	7,139,595	10,059,345	10,577,595	12,240,776
<u>\$ 5,133,307</u>	<u>\$ 7,204,337</u>	<u>\$ 10,513,370</u>	<u>\$ 11,614,777</u>	<u>\$ 12,413,039</u>
 \$ 6,311,395	 \$ 6,032,947	 \$ 6,731,963	 \$ 7,660,714	 \$ 6,467,534
17,299,383	19,653,909	20,009,494	26,857,209	26,993,831
7,645,115	4,456,497	4,523,656	2,744,792	1,417,823
1,372,204	1,022,959	1,491,063	1,449,850	15,306,684
 <u>\$ 32,628,097</u>	 <u>\$ 31,166,312</u>	 <u>\$ 32,756,176</u>	 <u>\$ 38,712,565</u>	 <u>\$ 50,185,872</u>

City of Novi, Michigan

	Year Ended June 30				
	1999	2000	2001	2002	2003
Revenue					
Taxes	\$ 19,539,386	\$ 20,500,721	\$ 22,119,501	\$ 24,295,219	\$ 26,579,364
Licenses, permits, and charges for services	1,938,503	2,249,562	2,472,503	2,394,190	2,710,259
Federal grants	697,584	486,638	536,154	820,901	554,498
State sources	5,717,719	6,128,094	6,622,204	7,104,544	7,012,000
Special assessments	653,367	341,631	668,661	1,109,137	1,096,950
Fines and forfeitures	295,938	355,851	350,737	359,760	384,847
Interest income	2,857,640	2,381,875	3,866,470	3,005,912	2,503,750
Recreational programs	683,289	696,555	676,415	758,648	897,234
Donations	-	-	-	-	1,470
Other revenue	793,229	2,307,357	714,708	1,840,213	2,435,998
Total revenue	33,176,655	35,448,284	38,027,353	41,688,524	44,176,370
Expenditures					
Current services:					
City Council	30,693	17,811	16,178	8,011	4,659
City manager	336,707	380,103	431,169	493,779	507,418
Finance	453,326	464,113	474,103	499,907	522,386
Information technology	307,761	325,567	237,050	325,008	345,997
Assessing	554,040	598,428	545,524	569,351	546,446
City attorney	314,395	459,933	386,080	960,517	428,163
City clerk	413,884	407,660	426,546	426,755	472,592
Treasury	286,698	294,420	283,244	243,738	251,015
Buildings and grounds	661,807	529,547	605,675	626,629	657,638
Neighborhood and business relations group (1)	185,713	158,916	190,932	158,654	260,243
General administration	1,222,977	1,396,418	1,393,840	1,367,451	1,404,932
Police department	6,845,406	6,941,713	7,861,860	7,846,717	8,400,100
Coalition that Cares	268,831	275,541	252,266	194,693	-
Fire department	2,148,895	2,427,116	2,680,184	3,190,241	3,269,965
Building division - Community development (2)	1,145,205	1,040,641	1,081,448	1,346,052	1,447,435
Neighborhood services	280,972	289,049	254,655	294,141	311,996
Department of Public Works	571,215	488,605	701,037	948,541	736,403
Municipal garage	289,940	65,840	(119,584)	-	-
Engineering	-	-	-	-	214,061
Planning commission	66,468	47,174	33,600	9,291	4,093
Planning division - Community development (2)	536,267	526,423	484,733	707,290	736,773
Construction	11,827,502	6,926,399	11,462,547	14,042,915	11,354,818
Street maintenance	1,572,159	1,645,265	2,141,759	2,228,811	2,716,638
Drain maintenance	-	-	-	-	-
Recreational programs	1,288,445	1,349,702	1,413,103	1,457,300	1,671,287
Forestry and park maintenance	523,455	530,604	599,921	664,061	720,223
Library programs	1,589,180	1,696,761	1,774,198	1,879,807	2,063,764
Special assessments refund	184,505	171,208	-	-	-
Other	-	-	-	206,545	2,930,374

**Changes in Fund Balances
Governmental Funds
Last Ten Fiscal Years**

Year Ended June 30				
2004	2005	2006	2007	2008
\$ 28,321,001	\$ 30,565,342	\$ 32,741,087	\$ 34,954,183	\$ 37,030,496
3,067,750	3,722,805	3,835,567	4,464,140	3,100,389
300,066	691,007	437,956	194,188	270,420
6,859,367	6,820,821	7,075,986	6,640,108	6,651,174
1,137,287	1,358,180	1,271,778	1,469,927	1,371,526
469,068	1,841,171	3,070,343	3,223,117	658,388
2,109,486	2,451,375	3,735,575	4,529,431	4,460,935
771,552	847,606	918,047	864,760	962,418
1,008,007	13,782	340,147	5,650	49,346
1,023,024	1,015,413	2,526,651	1,671,891	1,197,343
45,066,608	49,327,502	55,953,137	58,017,395	55,752,435
4,517	5,142	6,714	4,833	21,580
538,867	588,392	405,829	410,554	425,576
638,614	683,494	721,668	893,732	876,915
347,143	335,892	453,963	473,271	574,817
610,956	628,395	660,643	695,564	791,884
548,850	460,265	393,687	386,133	463,023
446,794	545,666	485,907	527,221	543,327
272,318	274,503	260,768	286,102	285,331
822,787	699,789	648,426	1,026,280	960,778
254,535	280,850	293,175	334,545	578,654
1,498,761	1,342,756	1,708,636	2,568,173	1,870,418
9,020,762	9,706,073	10,248,128	10,683,107	11,125,764
-	-	-	-	-
3,452,750	3,740,265	4,707,555	5,046,849	5,209,761
1,536,733	1,769,951	1,746,988	2,132,757	2,495,615
411,568	425,959	449,562	493,726	-
1,031,675	665,697	961,073	737,554	998,536
-	-	-	-	-
202,373	374,411	277,607	367,279	364,198
26,712	55,580	1,034	3,755	7,912
675,693	607,832	621,035	673,842	743,118
13,859,945	8,266,582	7,254,583	3,933,162	6,301,555
2,182,470	2,724,585	2,691,092	2,361,203	2,840,343
407,066	429,265	490,658	589,733	547,477
1,697,907	1,802,210	1,912,578	1,878,091	1,921,020
898,072	1,009,631	1,485,440	1,164,713	1,155,892
2,167,782	2,222,296	2,313,923	2,386,812	2,529,724
-	-	-	-	-
330,636	177,186	356,326	547,425	1,430,650

City of Novi, Michigan

	Year Ended June 30				
	1999	2000	2001	2002	2003
Expenditures (Continued)					
Current services (Continued):					
Capital outlay	\$ 310,166	\$ 1,797,589	\$ 804,599	\$ 1,407,294	\$ 696,526
Debt service principal	4,766,534	3,446,305	3,868,592	3,488,000	4,114,000
Debt service interest	2,774,993	2,639,436	3,117,574	3,662,369	3,233,210
Total expenditures	41,758,139	37,338,287	43,402,833	49,253,868	50,023,155
Excess of Revenue Over (Under) Expenditures	(8,581,484)	(1,890,003)	(5,375,480)	(7,565,344)	(5,846,785)
Other Financing Sources (Uses)					
Issuance of debt	205,000	-	28,435,000	-	30,655,000
Payment to escrow agent	-	-	-	-	(22,777,930)
Transfers in	4,091,785	6,755,661	5,804,407	5,287,337	9,132,839
Transfers out	(4,091,785)	(6,755,661)	(5,804,407)	(5,287,337)	(8,892,195)
Total other financing sources (uses)	205,000	-	28,435,000	-	8,117,714
Transfers in Residual Equity	-	-	2,198,191	-	-
Net Change in Fund Balances	(8,376,484)	(1,890,003)	25,257,711	(7,565,344)	2,270,929
Fund Balances - Beginning of year	32,717,283	27,186,507	25,296,504	50,554,215	43,176,274
Fund Balances - End of year	<u>\$ 24,340,799</u>	<u>\$ 25,296,504</u>	<u>\$ 50,554,215</u>	<u>\$ 42,988,871</u>	<u>\$ 45,447,203</u>
Debt Service as a Percentage of Noncapital Expenditures	18.2%	17.1%	16.4%	14.9%	14.9%

(1) Formerly "Community Relations"

(2) Formerly "Building, planning, and neighborhood services" combined into "Community development"

Source: City's annual financial statements

Changes in Fund Balances (Continued)
Governmental Funds
Last Ten Fiscal Years

Year Ended June 30				
2004	2005	2006	2007	2008
\$ 548,054	\$ 238,090	\$ 688,050	\$ 949,021	\$ 2,684,008
4,836,319	5,667,000	6,059,000	6,190,000	9,525,000
3,562,704	2,990,500	2,750,192	2,520,162	2,207,990
52,833,363	48,718,257	51,054,240	50,265,599	59,480,866
(7,766,755)	609,245	4,898,897	7,751,796	(3,728,431)
6,565,000	-	-	-	16,000,000
(6,484,044)	-	-	-	-
6,249,401	8,235,372	10,257,998	8,740,129	12,277,286
(6,249,401)	(8,235,372)	(10,257,998)	(9,434,129)	(12,277,286)
80,956	-	-	(694,000)	16,000,000
-	-	-	-	-
(7,685,799)	609,245	4,898,897	7,057,796	12,271,569
45,447,203	37,761,404	38,370,649	43,269,546	50,327,342
\$ 37,761,404	\$ 38,370,649	\$ 43,269,546	\$ 50,327,342	\$ 62,598,911
16.1%	17.9%	17.5%	17.7%	20.7%

City of Novi, Michigan

Year Ended June 30	Taxable Value by Property Type			
	Real Property			
	Residential	Commercial	Industrial	Developmental
1999	\$ 1,078,998	\$ 400,526	\$ 138,608	\$ 27,700
2000	1,163,360	441,560	148,925	19,813
2001	1,251,256	480,266	159,582	33,876
2002	1,366,840	540,246	172,722	25,789
2003	1,498,310	611,164	188,025	24,604
2004	1,605,730	639,737	205,969	21,819
2005	1,746,995	703,099	225,091	19,225
2006	1,932,745	738,891	232,970	-
2007	2,144,509	785,263	239,100	-
2008	2,259,984	840,511	249,294	-

Note: Under Michigan law, the revenue base is taxable value.

Source: City's assessor department records

Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(dollars in thousands)

Personal Property		Total Taxable Value	Tax Rate (Mills)	State Equalized Value	Taxable Value as a Percent of SEV
\$	151,348	\$ 1,797,181	10.7576	\$ 1,922,625	93
	166,509	1,940,167	10.5477	2,274,362	85
	170,023	2,095,003	10.5416	2,440,876	86
	174,798	2,280,396	10.5416	2,677,663	85
	188,178	2,510,282	10.5416	2,971,901	84
	205,961	2,679,216	10.5416	3,196,089	84
	206,140	2,900,549	10.5416	3,407,207	85
	194,212	3,098,818	10.5416	3,580,551	87
	195,190	3,364,062	10.5416	3,848,565	87
	200,618	3,550,407	10.5416	3,946,242	90

City of Novi, Michigan

City of Novi								
Fiscal Year	General	Municipal Street	Police and Fire	Parks and Recreation	Drain Revenue	Library	Debt Service	Total
1999	4.1215	0.6945	1.5032	0.4063	0.6945	0.8125	2.5251	10.7576
2000	4.1215	0.6815	1.4780	0.3995	0.6005	0.7989	2.4678	10.5477
2001	4.1215	0.6815	1.4567	0.3937	0.6005	0.7874	2.5003	10.5416
2002	4.4485	0.6815	1.4443	0.3902	0.6005	0.7806	2.1960	10.5416
2003	4.4551	0.7791	1.4416	0.3894	0.6005	0.7791	2.0968	10.5416
2004	4.4985	0.7776	1.4388	0.3886	0.6005	0.7776	2.0600	10.5416
2005	4.6422	0.7719	1.4282	0.3857	0.5105	0.7719	2.0312	10.5416
2006	4.6802	0.7719	1.4282	0.3857	0.5105	0.7719	1.9932	10.5416
2007	4.8051	0.7719	1.4282	0.3857	0.5105	0.7719	1.8683	10.5416
2008	4.8287	0.7719	1.4282	0.3857	0.5105	0.7719	1.8447	10.5416

Note: All rates are expressed in dollars per \$1,000 of taxable value.

Source: City's finance department records

Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(in thousands of dollars)

Overlapping Government							
Novi Schools		South Lyon Schools		Walled Lake Schools		Northville Schools	
Homestead	Non-homestead	Homestead	Non-homestead	Homestead	Non-homestead	Homestead	Non-homestead
11.1213	23.8950	8.1500	26.0024	8.1074	22.8000	6.0000	24.0000
10.6785	23.6208	8.0000	25.8524	7.8520	22.8000	5.5000	23.5000
10.3582	23.2663	8.0000	25.8524	8.0982	23.1000	5.0000	23.0000
12.1574	25.6000	8.0000	26.0000	7.9538	23.1000	5.0500	23.0500
11.6782	25.3453	8.0000	26.0000	7.4728	22.9884	4.7800	22.7800
11.3460	25.3049	8.0000	26.0000	7.5248	23.1000	4.7500	22.7500
12.0413	26.2032	8.5000	26.5000	7.0548	22.7900	5.2200	23.2200
11.7194	26.1532	8.5000	26.5000	6.8975	22.7900	4.9500	22.9500
10.6182	25.6732	8.5000	26.5000	6.7841	22.7900	4.4000	22.4000
10.0181	25.1332	8.5000	26.5000	6.6700	22.7900	4.2400	22.2400

City of Novi, Michigan

Direct and Overlapping Property Tax Rates Last Ten Fiscal Years (Continued) (in thousands of dollars)

Overlapping Government						
Fiscal Year Ended June 30	Oakland County	Oakland Community College	Schoolcraft Community College	Oakland Intermediate Schools	Wayne Intermediate Schools	State Education
1999	4.6564	1.6456	1.8521	2.1208	1.9971	6.0000
2000	4.6522	1.6295	1.8440	2.0998	1.9974	6.0000
2001	4.6478	1.6109	1.8311	2.0752	1.9789	6.0000
2002	4.6438	1.5952	1.8195	3.4526	1.9753	6.0000
2003	4.6523	1.6090	1.8043	3.4224	3.4643	6.0000
2004	4.6497	1.5983	1.8024	3.3991	3.4643	5.0000 (1)
2005	4.6476	1.5889	1.7967	3.3789	3.4643	6.0000
2006	4.6461	1.5844	1.7967	3.3690	3.4643	6.0000
2007	4.6461	1.5844	1.7967	3.3690	3.4643	6.0000
2008	4.6461	1.5844	1.7967	3.3690	3.4643	6.0000

- (1) The State of Michigan passed legislation on April 30, 2002 to require the levying of the State Education Tax (SET) on subsequent summer tax bills only. A one-time reduction from six mills to five mills was offered during the 2003 tax year to assist taxpayers with the transition to the new collection cycle.

City of Novi, Michigan

Principal Taxpayers Current Year and Nine Years Ago

Taxpayer	2007 Taxable Value	Percentage of Total	2007 Rank	1998 Taxable Value	Percentage of Total	1998 Rank
Singh Development	\$ 69,415,400	1.96	1			
Twelve Oaks Mall, LLC	56,515,420	1.59	2	\$ 52,589,930	2.74	1
Haggerty Corridor Partners	47,897,910	1.35	3			
Novi Campus LLC - Fox Run	45,609,890	1.29	4			
HHT Devco LLC (Twelve Mile Crossing at Fountain Walk)	37,996,550	1.07	5			
Occidental Development Ltd.	28,594,590	0.81	6	20,730,350	1.08	2
TBON LLC (Rock Financial Showplace) *	25,573,930	0.72	7			
Providence Hospital	21,387,270	0.60	8	9,228,020	0.48	9
Novi Town Center Investors, LLC	21,125,440	0.60	9			
DTE Energy	19,471,860	0.55	10	18,351,050	0.95	3
Aetna 4226 Novi Town Center				15,974,150	0.83	4
Solomon Properties Inc.				13,982,850	0.73	5
Ramco Novi I Co.				13,001,650	0.68	6
Progressive Tool & Industries				12,617,300	0.66	7
Delwal Corporation *				9,262,350	0.48	8
Crystal Glen Group Ltd.				9,208,300	0.48	10

* Properties subject to Act 198 Exemption which can reduce the amount of property taxes paid up to 50 percent.

Note: The City obtained the nine years prior taxable value data from the CAFR for that year. Taxable value data for any taxpayers who were not among the top ten during that year is not available.

Source: City's assessor department records

City of Novi, Michigan

Property Tax Levies and Collections Last Ten Fiscal Years

Tax Year	Fiscal Year	Total Tax Levy	Current Collections	Percent of Levy Collected	Delinquent Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
1998	1999	\$ 19,333,400	\$ 18,845,437	97.5	\$ 433,275	\$ 19,278,712	99.7
1999	2000	20,464,295	19,851,494	97.0	519,156	20,370,650	99.5
2000	2001	22,009,796	21,436,690	97.4	458,097	21,894,787	99.5
2001	2002	24,039,024	23,477,124	97.7	427,871	23,904,995	99.4
2002	2003	26,462,386	25,442,497	96.1	867,058	26,309,555	99.4
2003	2004	28,320,219	27,425,798	96.8	816,969	28,242,767	99.7
2004	2005	30,576,422	29,479,285	96.4	1,082,779	30,562,064	100.0
2005	2006	32,666,495	32,035,260	98.1	588,942	32,624,202	99.9
2006	2007	35,515,881	34,550,694	97.3	914,698	35,465,392	99.9
2007	2008	37,471,166	35,975,005	96.0	1,385,304	37,360,309	99.7

Source: City's finance department records

City of Novi, Michigan

	1999	2000	2001	2002
Governmental Activities				
General obligation bonds	\$ 52,446	\$ 49,645	\$ 56,463	\$ 53,861
Installment purchase agreements	205	180	154	126
Special assessment bonds	2,247	1,668	19,525	18,650
Equipment loan	200	100	-	-
Land contract	77	-	-	-
Total	55,175	51,593	76,142	72,637
Business-type Activities				
General obligation bonds	14,817	29,245	28,535	27,735
Special assessment bonds	973	667	400	200
Installment loans	85	61	35	7
Revenue bonds	15,425	15,195	14,965	14,535
Total	31,300	45,168	43,935	42,477
Total debt of the government	<u>\$ 86,475</u>	<u>\$ 96,761</u>	<u>\$ 120,077</u>	<u>\$ 115,114</u>
Total taxable value	\$ 1,797,181	\$ 1,940,167	\$ 2,095,003	\$ 2,280,396
Ratio of total debt to taxable value	4.81%	4.99%	5.73%	5.05%
Total population *	48,052	48,572	48,784	49,359
Total debt per capita	\$ 1,800	\$ 1,992	\$ 2,461	\$ 2,332

* Population estimate information obtained from the Southeast Michigan Council of Governments.
www.semcog.org

Source: City's annual financial statements

Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

2003	2004	2005	2006	2007	2008
\$ 57,884	\$ 54,640	\$ 50,130	\$ 45,230	\$ 40,165	\$ 48,065
97	66	34	-	-	-
17,590	16,465	15,340	14,215	13,090	11,665
-	-	-	-	-	-
-	-	-	-	-	-
75,571	71,171	65,504	59,445	53,255	59,730
26,675	25,525	24,393	23,030	21,491	19,933
-	2,330	2,255	2,080	1,905	1,730
-	-	-	-	-	-
14,105	13,680	13,155	-	-	-
40,780	41,535	39,803	25,110	23,396	21,663
\$ 116,351	\$ 112,706	\$ 105,307	\$ 84,555	\$ 76,651	\$ 81,393
\$ 2,510,282	\$ 2,679,216	\$ 2,900,549	\$ 3,098,818	\$ 3,364,062	\$ 3,550,407
4.63%	4.21%	3.63%	2.73%	2.28%	2.29%
50,223	51,518	52,921	53,941	54,609	54,688
\$ 2,317	\$ 2,188	\$ 1,990	\$ 1,568	\$ 1,404	\$ 1,488

City of Novi, Michigan

Ratios of General Bonded Debt Outstanding Last Ten Fiscal Years (dollars in thousands, except per capita)

Fiscal Year	Tax-limited General Obligation Bonds (LTGO)	Tax Supported Bonds (UTGO)	Michigan Transportation Fund (MTF)	Other General Obligation Debt	Total	Taxable Value	Debt as a Percentage of Taxable Value	Population*	Debt per Capita
1999	\$ -	\$ 49,571	\$ 2,875	482	\$ 52,928	\$ 1,797,181	2.95	48,052	\$ 1,101
2000	-	46,920	2,725	280	49,925	1,940,167	2.57	48,572	1,028
2001	-	53,888	2,575	154	56,617	2,095,003	2.70	48,784	1,161
2002	-	51,436	2,425	126	53,987	2,280,396	2.37	49,359	1,094
2003	2,000	53,604	2,280	97	57,981	2,510,282	2.31	50,223	1,154
2004	1,850	50,775	2,015	66	54,706	2,679,216	2.04	51,518	1,062
2005	1,700	46,685	1,745	34	50,164	2,900,549	1.73	52,921	948
2006	1,525	42,225	1,480	-	45,230	3,098,818	1.46	53,941	839
2007	1,350	37,600	1,215	-	40,165	3,364,062	1.19	54,609	736
2008	1,150	46,005	910	-	48,065	3,550,407	1.35	54,688	879

* Population estimate information obtained from the Southeast Michigan Council of Governments.
www.semcog.org

Source: City's finance department records

City of Novi, Michigan

Direct and Overlapping Governmental Activities Debt

June 30, 2008

(dollars in thousands)

Governmental Unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Novi School District	\$ 136,205	99.90	\$ 136,069
Northville School District	89,090	17.84	15,894
Walled Lake School District	177,690	11.69	20,772
South Lyon School District	204,805	1.90	3,891
Oakland County	109,962	5.48	6,026
Oakland Intermediate School District	53,730	4.71	2,531
Oakland Community College	7,965	4.52	360
Total overlapping debt			185,543
Direct City debt			47,155
Total direct and overlapping debt			<u><u>\$ 232,698</u></u>

Source: Various taxing authorities

City of Novi, Michigan

	1999	2000	2001	2002
Calculation of Debt Limit				
State equalized valuation	\$ 1,922,625	\$ 2,274,362	\$ 2,440,876	\$ 2,677,663
Assessed value equivalent of Act 198 exemptions (1)	<u>1,898</u>	<u>1,825</u>	<u>-</u>	<u>-</u>
Debt Limit (10% of SEV)	192,452	227,619	244,088	267,766
Calculation of Debt Subject to Limit				
Total debt	86,476	96,761	120,077	115,114
Less:				
Special assessment bonds	4,193	2,335	19,925	18,850
Michigan Transportation Fund bonds	2,977	2,725	2,575	2,425
Revenue bonds	<u>15,425</u>	<u>15,195</u>	<u>14,965</u>	<u>14,535</u>
Net Debt Subject to Limit	<u>63,881</u>	<u>76,506</u>	<u>82,612</u>	<u>79,304</u>
Legal Debt Margin	<u><u>\$ 128,571</u></u>	<u><u>\$ 151,113</u></u>	<u><u>\$ 161,476</u></u>	<u><u>\$ 188,462</u></u>
Net Debt Subject to Limit as Percent of Debt Limit	33.19%	33.61%	33.85%	29.62%

(1) Assessed value changes in prior years as a result of Michigan Tax Tribunal case

Source: City's finance department records

Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)

2003	2004	2005	2006	2007	2008
\$ 2,971,901	\$ 3,196,089	\$ 3,407,207	\$ 3,580,551	\$ 3,848,565	\$ 3,876,955
-	-	-	8,350	8,386	8,423
297,190	319,609	340,721	358,890	385,695	388,538
116,351	112,706	106,654	84,554	76,651	81,393
17,590	18,795	17,595	16,295	14,995	13,395
2,280	2,015	1,745	1,480	1,215	910
14,105	13,680	13,155	-	-	-
82,376	78,216	74,159	66,779	60,441	67,088
\$ 214,814	\$ 241,393	\$ 266,562	\$ 292,111	\$ 325,254	\$ 321,450
27.72%	24.47%	21.77%	18.61%	15.67%	17.27%

City of Novi, Michigan

Pledged-revenue Coverage Last Six Fiscal Years (dollars in thousands)

Fiscal Year	Water and Sewer Revenue Bonds						Special Assessment Bonds			
	Gross Revenue	Applicable Expenses	Net Revenues	Debt Service			Special Assessment Collections	Debt Service		
				Principal	Interest	Coverage		Principal	Interest	Coverage
2002	\$ 10,731	\$ 8,457	\$ 2,274	\$ 430	\$ 720	1.98	\$ 2,449	\$ 1,075	\$ 1,010	1.17
2003	12,583	10,684	1,899	430	690	1.70	2,606	1,260	932	1.19
2004	13,337	11,582	1,755	425	678	1.59	2,670	1,125	853	1.35
2005	14,416	12,885	1,531	525	652	1.30	2,715	1,200	866	1.31
2006	-	-	-	-	-	-	2,679	1,300	775	1.29
2007	-	-	-	-	-	-	2,759	1,300	715	1.37

Source: City's annual financial statements

City of Novi, Michigan

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
1999	48,052	*	*	1.9
2000	48,572	\$ 1,748,203	\$ 35,992	1.8
2001	48,784	*	*	1.6
2002	49,359	*	*	2.9
2003	50,223	*	*	3.5
2004	51,518	*	*	4.2
2005	52,921	*	*	3.9
2006	53,941	*	*	3.5
2007	54,609	*	*	4.3
2008	54,688	*	*	4.1

* Not available

Sources: Southeast Michigan Council of Governments
Michigan Department of Labor and Economic Growth
U.S. Bureau of the Census and Labor Statistics

City of Novi, Michigan

Principal Employers June 30, 2008

Employer		2008 Employees	Percentage of Total
1	Novi Community Schools	807	3.11
2	Intier/Magna	650	2.50
3	Macy's	539	2.08
4	St. John Health/Providence Park Hospital	500	1.93
5	Tower Automotive	340	1.31
6	Ikon Office Solutions, Inc.	307	1.18
7	Paychex	300	1.16
8	Polynorm Automotive, N.A.	250	1.16
9	City of Novi	250	1.08
10	CVS Michigan, LLC	250	0.96

Sources: City of Novi
Michigan Manufacturers' Directory - 2008

City of Novi, Michigan

Function/Program	1999	2000	2001	2002
City manager	3	3	3	4
Finance	6	6	6	6
Information technology	2	3	3	3
Assessing	8	8	8	7
City clerk	6	6	6	6
Treasury	3	3	3	3
Buildings and grounds	1	2	2	2
Community relations	1	1	1	1
General administration	5	7	8	7
Police department	86	87	88	90
Fire department	21	25	25	27
Building department	17	17	17	18
Neighborhood services	5	5	5	4
Department of Public Works	25	26	26	30
Engineering	-	-	-	-
Planning	8	8	8	9
Parks, recreation, and forestry	15	15	15	17
Water and sewer	12	12	12	11
Library	15	15	18	19
Neighborhood and Business Relations Group (1)	-	-	-	-
Community development - Building, planning, and neighborhood services (2)	-	-	-	-
Total	239	249	254	264

(1) Formerly "Community Relations"

(2) Combined building, planning, and neighborhood services

Source: City's finance department records

**Full-time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years**

2003	2004	2005	2006	2007	2008
4	4	4	3	3	3
6	7	7	8	8	8
3	3	3	4	4	4
7	7	7	7	7	7
6	6	6	6	6	6
3	3	3	3	3	3
2	2	2	2	2	2
2	2	2	2	3	-
7	7	6	6	7	6
89	94	97	97	99	99
28	29	31	30	31	31
18	18	18	18	18	-
4	5	5	5	5	-
26	25	25	23	23	23
4	4	5	5	5	6
8	8	8	8	8	-
17	18	18	18	18	18
12	12	12	13	13	13
19	21	20	20	20	20
-	-	-	-	-	4
-	-	-	-	-	30
265	275	279	278	283	283

City of Novi, Michigan

Function/Program	1999	2000	2001	2002	2003
Election data:					
Registered voters	31,076	31,474	31,972	30,534	30,428
Voters at polls	2,194	2,184	17,246	6,601	13,814
Absentee ballots	1,013	1,388	4,399	1,368	2,742
Percent voting	10.31%	11.35%	67.70%	26.10%	54.41%
Police:					
Part A crimes	1,884	2,742	2,768	2,682	2,509
Part B crimes	2,198	2,255	1,569	1,496	1,681
Injury accidents	339	340	278	325	281
Property damage	2,150	2,334	2,229	2,200	2,146
Moving traffic violations	7,228	6,795	7,035	7,280	6,161
Parking violations	700	757	721	706	542
Adult arrests	1,933	1,797	1,447	1,328	1,541
Juvenile arrests	179	335	187	210	227
OUIL arrests	459	448	302	259	306
False alarms	2,104	2,637	2,673	2,310	2,554
Fire:					
Fire incidents	276	276	130	135	154
Service incidents	729	729	949	1,062	1,215
Fire inspections conducted	2,477	2,477	2,263	2,691	3,054
Medical emergencies	1,672	1,672	1,968	2,052	2,083
Paid-on-call staff	68	68	56	56	60
Parks and recreation:					
Youth classes/clinics	516	525	743	832	250
Adult classes/clinics	1,744	1,724	300	312	300
Youth leagues	4,220	4,235	4,500	4,672	3,732
Adult leagues	2,667	2,850	2,915	2,775	2,640
Summer day camp	400	328	360	440	420
Lakeshore Park vehicle entry	5,240	3,458	3,523	4,140	3,850
Lakeshore Park attendance	10,525	6,945	7,078	9,050	8,740
Lakeshore Park picnic shelter rental	97	108	107	86	79
Senior citizens served (1)	92,504	91,637	96,000	90,500	90,700
Special event attendance	5,720	5,900	7,600	8,500	8,813
Civic Center rentals	1,583	1,261	2,532	2,596	2,807
Civic Center attendance	131,056	119,922	90,167	99,880	89,070
Novi Theaters - Cast	640	650	723	785	821
Novi Theaters - Audience	7,100	7,237	9,672	10,110	8,005
Library:					
Items circulated	333,691	333,691	335,185	352,814	400,441
Book collections	96,454	96,454	108,124	109,710	107,236
Audio/Video/CD collections	7,708	7,708	8,783	9,394	10,042
Periodical subscriptions	269	269	269	398	189
Requests of Information	55,646	55,646	73,376	79,071	88,873
Youth Summer Reading	1,325	1,325	1,249	1,354	1,547
Program participants	33,167	33,167	19,165	21,822	23,342
Visitors	-	-	-	-	-
Interlibrary loans	-	-	-	-	-

(1) Beginning in fiscal year 2007-2008, the total utilization no longer includes the phone calls and questions fielded by the Novi senior center. The June 30, 2008 total is a true reflection of those actually served at the center via programs and services. This tracking methodology will be used for all future years.

Operating Indicators by Function/Program Last Ten Fiscal Years

2004	2005	2006	2007	2008
30,572	32,131	32,301	33,253	35,117
3,962	25,432	4,495	20,612	9,020
1,343	5,783	2,256	4,500	2,768
17.35%	79.15%	20.90%	62.00%	26.00%
2,530	2,426	2,312	2,077	2,102
1,766	1,216	1,246	1,388	987
266	277	248	203	242
2,221	2,004	1,986	1,853	1,825
10,353	10,451	12,219	11,486	6,813
620	448	437	427	N/A
1,709	1,630	1,780	2,001	1,703
261	208	211	237	189
451	460	380	398	266
2,527	2,470	2,677	2,664	2,403
137	305	309	287	266
1,343	1,124	1,013	1,207	1,218
2,849	2,280	2,291	2,301	2,619
2,187	2,430	2,424	2,458	2,724
55	48	54	59	56
1,000	240	248	780	572
400	100	106	493	428
4,900	2,891	3,002	3,091	2,983
2,010	2,138	2,146	1,980	2,240
416	425	431	367	341
3,410	3,456	3,502	7,910	10,335
10,230	10,368	12,224	17,120	17,777
117	82	85	104	163
90,680	63,676	64,189	106,522	87,188
10,966	9,250	10,009	9,981	11,413
3,765	1,799	2,700	2,746	2,731
99,312	57,352	86,860	96,503	97,249
817	367	372	284	226
10,380	6,341	6,640	4,929	6,392
411,599	464,991	508,405	544,874	580,438
113,384	119,273	123,897	126,259	128,711
11,075	11,552	12,581	13,805	13,774
195	189	153	170	179
86,403	115,623	136,448	158,265	159,485
1,577	1,687	1,698	1,171	1,491
28,824	26,940	26,160	26,720	35,062
-	-	285,777	265,795	269,815
-	-	46,057	55,102	60,182

City of Novi, Michigan

Function/Program	1999	2000	2001	2002	2003
Water and sewer - Customers:					
Residential	11,191	10,233	11,780	10,040	12,504
Commercial	823	767	879	949	1,020
Water (in thousand gallons):					
Purchased from Detroit	2,108,027	2,070,099	1,980,099	1,984,209	2,204,351
Sold to residents	1,908,144	1,893,003	1,771,266	1,633,165	2,099,575
Rates:					
Minimum 7,000 gallons	\$ 21.25	\$ 21.25	\$ 21.75	\$ 27.00	\$ 27.00
Additional usage per 1,000 gallons	\$ 1.86	\$ 1.86	\$ 1.90	\$ 2.48	\$ 2.48
Sewer (per thousand gallons of water usage)	\$ 1.44	\$ 1.44	\$ 1.44	\$ 1.75	\$ 1.75

Source: City's finance department records

Operating Indicators by Function/Program (Continued)
Last Ten Fiscal Years

2004	2005	2006	2007	2008
10,684	11,107	12,306	12,708	12,716
1,014	1,024	1,108	1,399	1,280
2,213,689	2,267,616	2,431,591	2,424,237	2,402,589
2,032,995	2,117,038	2,256,309	2,355,938	2,192,050
\$ 28.00	\$ 29.00	\$ 31.00	\$ 31.00	\$ 33.00
\$ 2.55	\$ 2.78	\$ 2.94	\$ 2.94	\$ 3.17
\$ 1.93	\$ 2.05	\$ 2.21	\$ 2.21	\$ 2.32

City of Novi, Michigan

Function/Program	1999	2000	2001	2002
Police - Stations	1	1	1	1
Fire - Stations	4	4	4	4
Public works:				
Miles of City streets:				
Major	31	31	31	31
Local	126	126	126	135
Estimated sidewalks in miles	37	37	37	39
Bridges	4	4	4	4
Street lights	400	400	400	400
Parks and recreation:				
Acres	844	844	844	844
Locations	10	10	10	10
Library - Branches	1	1	1	1
Water and sewer:				
Miles of water mains	172	172	175	180
Miles of sanitary sewers	195	195	200	203
Fire hydrants	-	2,700	3,000	3,080

Source: City's finance department records

**Capital Asset Statistics by Function/Program
Last Ten Fiscal Years**

2003	2004	2005	2006	2007	2008
1 4	1 4	1 4	1 4	1 4	1 4
32 159 41 4 400	39 107 39 4 401	39 116 69 4 401	39 116 170 4 401	39 123 248 4 402	39 127 248 4 402
844 9 1	844 10 1	894 7 1	894 7 1	894 7 1	894 7 1
180 215 -	180 227 3,077	280 230 3,139	288 230 3,763	288 230 4,010	288 230 4,011

City of Novi, Michigan

Report to the City Council

June 30, 2008



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October 21, 2008

To the City Council
City of Novi, Michigan

We have recently completed our audit of the basic financial statements of the City of Novi, Michigan (the "City") for the year ended June 30, 2008. In addition to our audit report, we are providing the following letter of required audit communication and informational comments which impact the City:

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We are grateful for the opportunity to be of service to the City of Novi, Michigan. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Very truly yours,

Plante & Moran, PLLC

Joseph C. Heffernan

Kathy Kercorian

Results of the Audit

To the City Council
City of Novi, Michigan

We have audited the financial statements of City of Novi, Michigan (the "City") for the year ended June 30, 2008 and have issued our report thereon dated October 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our audit engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City of Novi, Michigan. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the City of Novi, Michigan's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the City of Novi, Michigan's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 21, 2008, regarding our consideration of the City of Novi, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the City of Novi, Michigan including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

To the City Council
City of Novi, Michigan

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Novi, Michigan are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2008.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were liabilities relating to property tax appeals to the Michigan Tax Tribunal and contingent liabilities relating to outstanding lawsuits against the City.

Management's estimates of liabilities relating to property tax appeals and contingent liabilities are based on historical and current information. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were Note 2 - Deposits and Investments, Note 5 - Capital Assets, Note 7 - Long-term Debt, Note 11 - Defined Benefit Pension Plan, and Note 13 - Other Postemployment Benefits.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

To the City Council
City of Novi, Michigan

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. During our audit, the following items were discussed with management as not being appropriately stated in the accounting records; however, management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole:

- The Library Bond included a bond discount of \$104,865 that should have been reported on the government-wide statement of activities as an asset (a deferred outflow), and amortized over the life of the bond issue.
- The General Fund includes an estimated liability for Michigan Tax Tribunal claims of \$684,000; based on our audit analysis, we estimate that the ultimate liability is likely to be closer to \$508,000, a decrease of \$176,000.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated October 21, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the City Council
City of Novi, Michigan

Other Audit Findings or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the City's auditors.

This information is intended solely for the use of the members of the City Council and management of the City of Novi, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 21, 2008

Informational and Legislative Items

Property Tax Developments

The front page story several months ago is now old news. For many communities in Michigan, the challenging real estate market will negatively change the taxable value trends of recent years. The City's July 1, 2008 taxable value increased only 0.9 percent; Oakland County is currently anticipating a 4.5 percent decline for the July 1, 2009 tax billing. Further, it is predicting that it will be three to five years before taxable values return to today's levels. While the exact values remain to be seen, it is clear that the City needs to keep a very watchful eye on property tax revenue, its single largest revenue source.

While each community will need to carefully determine the impact of the current environment on its budget, there are also several pieces of legislation in Lansing that will impact property taxes going forward. Examples include the following:

- House Bill 4215 (Public Act 96 of 2008) allows property owners to obtain two principal residence exemptions in certain situations. The bill was designed for situations where a homeowner has purchased a new home and is unable to sell the existing home. The dual exemption only applies if certain conditions are met (i.e., the property previously occupied is for sale, not occupied, not leased or available for lease, etc.).
- A series of bills were introduced in March 2007 as part of a package to stimulate home sales (House Bills 4440, 4441, and 4442). The lead bill of that package, House Bill 4440, establishes an 18-month moratorium on the "pop-up" or "uncapping" of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The "pop-up" or "uncapping" of taxable value would be delayed until the property was sold or transferred in later years. House Bill 4440 actually passed the House in March 2007 and is currently in the Michigan Senate.

Many property owners continue to struggle with the concept that their individual taxable values actually increased during a time that overall property values - and even their individual property values - have fallen. As we all have re-learned in recent months, that is a constitutional requirement that changed with Proposal A in 1994. It may be helpful to remember the principle behind Proposal A - its purpose was to disconnect taxable values from market value increases, and instead limit the growth in taxable values to the lesser of 5 percent or inflation, until that point that the property transfers ownership. Now that the market values are declining in many areas, Proposal A continues to stay disconnected, and allows the taxable value to increase by the lesser of 5 percent or inflation (up until the point that it reconnects with market values).

Fairly or not, this year, many property owners said it did not feel right when they saw their taxable value increase by inflation when market value did not. This has led to a discussion as to whether a third variable, called “change in market value,” needs to be added to the Proposal A formula. In what some are calling a “super cap,” the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would be the lesser of three components: inflation, change in market value or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value - there would be no annual increase. To date, a proposal to accomplish this change has not moved through the legislature. A change of this nature would impact local government budgets.

- As part of the changes to the single business tax last year and the introduction of the Michigan business tax, changes were also made to the calculation of tax rates applicable to industrial and commercial personal property taxes. As advertised, industrial personal property taxpayers received a reduction of the school operating mills (up to 18 mills) and the six mill state education tax. Commercial personal property taxpayers received a reduction of up to 12 school operating mills. However, if your community has a school district with “hold harmless” school mills, you must add back any hold harmless millage prior to computing the total mills to be levied. This may generate questions from commercial and industrial taxpayers.
- A Michigan Supreme Court case has changed how local governments can treat public service improvements by developers. Leading up to the court case, as private property owners or developers installed public service improvements (i.e., such as street lights, water and sewer lines, etc.) there was normally an increase in their property tax assessment. The Michigan Supreme Court upheld a Court of Appeals ruling that the installation of public service improvements does not constitute a taxable addition

State-shared Revenue

The table below details state-shared revenue for the City since 2003 broken out by statutory and constitutional portions:

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>
2003	\$ 1,077,486	\$ 3,158,894	\$ 4,236,380
2004	682,876	3,124,582	3,807,458
2005	566,809	3,199,148	3,765,957
2006	470,441	3,253,613	3,724,054
2007	427,145	3,186,007	3,613,152
2008	346,754	3,266,398	3,613,152
2009 est.	387,778	3,233,917	3,621,695

It is heartening to see the legislature work to maintain state-shared revenue at its current levels. However, in light of the current economic environment, we strongly encourage local governments to be conservative when budgeting or projecting revenue sharing for the next few years.

Reminder - Change in Investment Act

Public Act 213 of 2007, adopted at the end of 2007, requires local governments to perform their investment reporting quarterly to the governing body. The investment of surplus monies by Michigan local governments is controlled by Public Act 20 of 1943. The Act previously required investment reporting annually. It is suggested that the required quarterly reports list investments by institution along with maturity dates and interest rates

Recent Revisions to State Transportation Funding Program

Current legislation modified Act 51 to allow local governments to transfer monies from their Major Streets Fund to their Local Streets Fund at a level of 50 percent of annual major street funding received. In addition, greater than 50 percent can be transferred. However, the amended law requires that certain conditions be met to allow for a transfer in excess of 50 percent including the adoption of an asset management process for the Major and Local Streets systems as well as a detailed resolution passed by the City. It is important to note that major street monies transferred for use on local streets cannot be used for construction but may be used for preservation. Current legislation also includes a pilot program that would allow for the combination of the Major Streets Fund and the Local Streets Fund if certain conditions are met.

Other Legislative Items

- As part of Michigan's new "Planning Enabling Act," many local governments will now be required to prepare an annual "capital improvements program." This new requirement is effective September 1, 2008. According to Public Act 33 of 2008, a planning commission, after the adoption of a master plan, shall annually prepare a capital improvements program of public structures and improvements. The law does allow that if the planning commission is exempted from this requirement, the legislative body shall prepare and adopt a capital improvements program or delegate this responsibility to the administration of the local unit for the ultimate approval by the legislative body. The law provides that the capital improvement program report public structures and improvements that, in the community's judgment, will be needed or desirable within the next six years. The law also requires that the public structures and improvements included in the capital improvements program be prioritized. Townships that do not either individually or jointly own or operate a water supply or sewage disposal system are exempt from this requirement. In general, Plante & Moran strongly encourages the development of a capital plan. While the law is restricted to "public structures and improvements," we strongly encourage the inclusion of all capital assets - vehicles, machinery and equipment, office furnishings, etc. In addition, we feel that the participation of the governing body (in addition to or instead of) the planning commission is good public policy.

This same public act added several other requirements of planning commissions, including annual reporting by the planning commission to the legislative body along with the mandatory creation of a master plan.

- Multiple bills are pending in Lansing that would make changes to investment laws governing Michigan communities. Changes have been proposed to add different types of investments to what is commonly referred to as “Public Act 20” which governs the investment of surplus operating monies. Changes are also being proposed to the laws governing the investment of retirement monies.
- A bill is pending in the Michigan Legislature regarding retainages held by governmental units. Retainages are a common method used by local governments in procurement, particularly in the area of construction contracts. The law change focuses on reducing the retainage amount that a local government could require and stipulate the payment of interest on these monies among other provisions.
- Efforts continue in the wake of the *Bolt* case to provide a means for local units of government to engage in rate making to finance the cost of utility operations, particularly that of storm water. Senate Bill 1249 has been introduced to address the tests included in the *Bolt* decision on whether a charge is really a fee or a tax.
- At the federal level, a 2005 law change continues to get more attention as its effective date approaches. As part of the Tax Increase Prevention and Reconciliation Act of 2005, a new mandate was introduced which will require any governmental entity spending more than \$100 million a year in goods and services to withhold 3 percent of government payments beginning in 2011. Governmental units subject to this requirement will also be subject to new reporting rules for applicable payments. Numerous groups - both public and private sector, including the U.S. Department of Defense - have expressed concerns on the cost and practicality of implementing this new mandate. A bill is pending in Congress to delay implementation by a year until January 2012.

Municipal Finance Act Revisions - Reminder

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a preapproval for future debt issues. The current filing is due within six months of the City’s year ended June 30, 2008 and is good for one year thereafter. The City should consider the need to file a qualifying statement for each of its component units.

City of Novi, Michigan

**Federal Awards
Supplemental Information
June 30, 2008**

City of Novi, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Novi, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Novi, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City of Novi, Michigan's basic financial statements, and have issued our report thereon dated October 21, 2008. Those basic financial statements are the responsibility of the management of the City of Novi, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 21, 2008

Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
City of Novi, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Novi, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

To the Honorable Mayor and
Members of the City Council
City of Novi, Michigan

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the city council and management and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 21, 2008

Report on Compliance with Requirements Applicable to Each Major Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council
City of Novi, Michigan

Compliance

We have audited the compliance of the City of Novi, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2008. The major federal program of the City of Novi, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Novi, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Novi, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

To the Honorable Mayor and
Members of the City Council
City of Novi, Michigan

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement for a major program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a major federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement for a major program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance that is material to a type of compliance requirement for a major program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance and its operation that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the city council, management, the federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 21, 2008

City of Novi, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity	Award Amount	Federal Expenditures
		Project/Grant Number		
U.S. Department of Housing and Urban Development - Passed through Oakland County, Michigan - Community Development Block Grant	14.218	Unit 23	\$ 141,569	\$ 96,102
U.S. Department of Justice - Office of Justice Program: Police Vest Grant	16.607		23,877	6,316
AEF Equitable Share Federal Forfeiture Proceeds: 2007	16.unknown		2,658,373	-
2008			-	3,767,010
DEA overtime reimbursement	16.unknown		-	10,095
Total U.S. Department of Justice				3,783,421
U.S. Department of Transportation - Passed through the State of Michigan:				
Highway Safety Grant 2008	20.600	36.958	19,879	17,977
Youth Alcohol Enforcement AL-07-23	20.600	36.958	25,000	3,769
Underage Alcohol Enforcement JJ-08-02	20.600	36.958	58,704	30,995
Total U.S. Department of Transportation				52,741
U.S. Department of Agriculture - Forest Services - State and Private Forestry Program - Passed through the State of Michigan - Emerald Ash Borer Tree Planting Grant	10.664		10,000	10,000
Rouge River National Wet Weather Demonstration Project - Dunbarton Regional Detention Basin Project	66.202		361,970	19,591
U.S. Dept. of Homeland Security - Passed through Oakland County, Michigan:				
AFG Program #EMW-2006-FG-18430	97.803		75,605	70,980
SAFER GRANT #EMW-2006-FF-04643	97.803		101,715	22,784
Urban Areas Security Initiatives	97.067		-	1,280
Total U.S. Department of Homeland Security				95,044
Federal Emergency Management Agency - Passed through the State of Michigan - 2006 Homeland Security Conference	97.004		1,008	254
Total federal awards				<u>\$ 4,057,153</u>

City of Novi, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Novi, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Project Title/Project Number/Subrecipient Name	CFDA Number	Amount	
		Provided to Subrecipients	
Community Development Block Grant	14.218	\$	71,102

City of Novi, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major program: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
16.Unknown	U.S. Department of Justice - AEF Equitable Share Federal Forfeiture Proceeds

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk audit? X Yes _____ No

City of Novi, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section II- Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None